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China Report

ECONOMIC AFFAIRS



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3 April 1984

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

RENMIN RIBAO ON LEARNING FROM CHEN YUN'S 'WORKS'

HK121447 Beijing RENMIN RIBAO in Chinese 5 Mar 84 p 5

[Article by Zhou Taihe [0719 1132 0735]: "Make a Success of Financial and Economic Work by Seeking Truth From Facts--Some Understanding Gained from Reading 'Selected Works of Chen Yun'"--passages within slantlines published in boldface]

[Text] As early as in the early part of the 1940's, Comrade Chen Yun was already serving as the deputy director of the northwest regional office of financial and economic affairs; not long after our victory in the anti-Japanese war, he served as the director of the northeast China financial and economic commission. Working under extremely arduous conditions, he and other leading comrades in financial and economic work of the central authorities overcame many obstacles and carried out difficult work in order to protect and consolidate the two northwest and northeast revolutionary bases, breaking the enemy's tight blockade and making important contributions. Below, I shall narrate some of my personal impressions and understanding gained from studying Comrade Chen Yun's writings on financial and economic problems of that period.

Comrade Chen Yun began his article "Financial and Economic Problems in the Shaanxi-Gansu-Ningxia Border Region" with these words: "Since 1941, the Shaanxi-Gansu-Ningxia border region had been in a state of siege and blockade by enemy forces both military and economically. In order to overcome the difficulties and persist in carrying on the anti-Japanese war, the party Central Committee and the northwest authorities defined the basic policy in financial and economic work in this region and this was represented by the four characters meaning 'self-reliance and regeneration'." How great were the difficulties encountered at that time? Just as Comrade Mao Zedong pointed out: "It actually came to the stage of lacking clothing, edible oils, writing paper, and vegetables, the soldiers having no shoes or stockings, and the working people being devoid of quilts and bedding in winter time.... Indeed, our difficulties then were very great." Under conditions of such great difficulties, the party Central Committee and Comrade Mao Zedong issued a call urging all "to work with their own hands," and advocated the policy of "developing the economy and protecting the sources of supply." Comrade Chen Yun, working hand in hand with other responsible comrades on the financial and economic front and with this policy as the basis, studied methods for its

concrete and thorough implementation. He resorted to various means to develop production and circulation and to enliven the economy, thereby completely smashing the KMT's economic blockade and ensuring adequate supplies for military and civilian use.

What were the principal phases of work at that time?

I. Promoting and Developing a Production Campaign and Ensuring Adequate Supplies for War Use and for Meeting People's Needs

In 1944, at a meeting of advisers of the Shaanxi-Gansu-Ningxia border region, Comrade Chen Yun said: "First of all, we have implemented the method of solving financial difficulties through developing production." Responding to Comrade Mao Zedong's call, the party and government organs, schools, armed forces, and people in the border region all, without exception, took part in the campaign for large-scale production. They "used their own hands" to strive for sufficient food and clothing. In order to support the development of agriculture and animal husbandry, in 1943 a sum of 400 million yuan was earmarked for the purpose of increasing the capital construction investment in agriculture. This was an increase of 900 percent over the year before. In 1944, it was further increased to 600 million yuan, an increase of 50 percent over the preceding year. In addition, various policies were enforced to promote and encourage production, such as farm loans from banks, encouraging refugees to open up wasteland, reducing the grain tax, organizing work-exchange teams and mutual aid groups, encouraging cotton planting, improving and raising the state purchase prices of agricultural and sideline products and special native products, and so on. All these measures were intended to maintain stability in agricultural production and to accelerate its development. Before the war of resistance against Japan, the total area of cultivated land in the border region had been only 8.62 million mu. By 1942, over 3.86 million mu of wasteland had been opened up. In 1944 alone, farmers in the border region increased the output of fine grain by over 100,000 dan (1 dan being equivalent to 300 jin), or over 200,000 dan including the output of the armed forces, government organs, and schools. In the same year, the output of cotton was 3 million jin, good for weaving 1.5 million bolts of cloth. Through working with their own hands, the armed forces, government organs, and schools could basically solve the two big problems of food and clothing.

At that time, industry was also fairly well developed. By the end of 1942, the following seven industries were to be found in the region: textiles, bedding, and clothing, paper-making, printing, chemicals, tool manufacturing, and coal. The number of state-run factories in the region had increased to 62, with nearly 4,000 staff members and workers. The region was also capable of refining oil, repairing machines, and making certain kinds of ammunition. In 1944, Comrade Chen Yun advocated that the border region itself should take up iron smelting and technicians were organized to make use of iron ore from Guan Zhong and charcoal from Nan Niwan, used as fuel by the armed forces, (later changing to the use of anthracite from Yenan's Pang Long Zhen mine)

to smelt over 1 ton of pig iron every day, which, with the melting down of scrap steel from the front, solved the problem of the supply of iron and steel products for machine building.

In the large-scale production campaign, cadres of party organs and government organs at various levels and the masses shared joys and sorrows with each other and jointly plunged into work. Many responsible comrades in the central government and cadres of government organs all learned to handle the primitive wooden weaving machines to do some weaving work. The yarn woven by Comrade Zhou Enlai and Comrade Chen Yun all belonged to the first grade. In particular, what is worthy of mention is that the 359 brigades of the armed forces, who were responsible for protecting and defending the border region, attended to military training and production simultaneously, opened up over 260,000 mu of wasteland, and converted barren Nan Niwan, where wild wolves used to wander about in packs, into an area in northern Shaanxi comparable to "Jiang Nan," the region south of the lower reaches of the Changjiang. They managed not only to produce enough grain for their own consumption but also to deliver public grain to the government each year. Comrade Mao Zedong praised this feat as a miracle never before seen in China's history.

Among the victories achieved in the border region's production campaign, those in the financial annals may also be called miracles. Several years before the "south Anhui incident," 86 percent of the budget expenditure had to rely on foreign aid. After the incident, nearly all the expenditure was taken care of through self-reliance. As Comrade Chen Yun pointed out: "In his way, a fundamental change took place in the economic status of our border region, greatly enhancing our strength in the war of resistance against Japan."

II. Battles in Currency and Trade, Breaking the Economic Blockade

For the purpose of breaking the economic blockade and overcoming the financial difficulties, at the time three measures were mainly relied on: first, self-sufficiency in production, solving the food and clothing problems; second, reliance on tax collection to balance the fiscal receipts and expenditures; and third, opening up external trade, making exchanges for, and importing, the necessary military supplies and articles for civilian use. Speaking from the economic standpoint, the countermeasures against the blockade should be: first, struggle on the trade front; and second, struggle on the currency front (that is, the currency in the border region struggling against the KMT's currency). Both of these measures had the purpose of protecting the revenues of the region, although finance must also support the struggles on the trade and currency fronts. Concerning their interrelationship, Comrade Chen Yun, in his 1945 report on financial work in the border region, said: "Basically, currency and trade are for enhancing financial receipts. This is the overall policy. However, at times, finance should also serve and obey currency and trade.

Let us turn first to the struggle in trade. In 1942, following a meeting of high cadres in the border region, it was resolved that the central tasks

would be "breaking the blockade, stabilizing the currency, keeping commodity prices at an equitable level, and ensuring the availability of supplies." In addition, external trade would be placed under unified control. Internal trade would be free and opened up, under the unified direction of the northwest office of financial and economic affairs. In external trade, the major export commodities were table salt and special native products, in exchange for necessary commodities such as cotton, cotton yarn, cloth, medicines, and communications apparatus. Take table salt for example: it constituted the main source of financial income of the border region. Its volume in transportation and marketing was increasing yearly. In 1938, its export volume was 70,000 pack-loads (each load contained 150 jin), but went up to 400,000 pack-loads in 1942. For the purpose of encouraging the outside sales of table salt, Comrade Mao Zedong, in his article "Economic Problems and Financial Problems," specially gave a narration of the "Long March of Lu Zhongchai [7627 1813 2088]" which touched on the topic of salt transport. However, the KMT government employed various means to restrict and damage the region's salt export trade. On the one hand, they transported salt at a high cost from Henan to Shaanxi, with the purpose of depressing the price of salt shipped out from the border region, thus making the transportation of salt a losing proposition and blocking the outflow of table salt from the region. On the other hand, they induced or attracted private merchants to ship salt outward, closing the main roads but opening up side lanes in an attempt to cause disruption and confusion. They even adopted extreme measures such as levying heavy fines, making arrests, and imposing capital punishment to prevent and disrupt the outward transportation of table salt from the border region. At that time, the northwest office of financial and economic affairs, following careful deliberation and study, adopted several counter-measures to break the enemy's blockade. One of the measures called for the adoption of a liberalized policy and cancellation of the original stipulation that outside sales of salt could only be carried out after obtaining permission from the salt corporation of the region. The new stipulation permitted the salt merchants and the households handling salt transportation to ship salt outward on the condition that they must first register with the marketing organs and undertake to abide by the bank's regulations on foreign exchange control, that is, the fabi [KMT paper currency units] taken back to the region must be sold to the bank at the official exchange rate. The second measure adopted was to attract merchants from the outside. The salt corporation would centrally purchase a quantity of table salt, transport it to the border, and offer lucrative rates to induce outside merchants to come to the border area and, there, to buy and carry away the commodity, thus making a good profit. At the same time, full utilization was made of the conflict of interests between the various KMT armed forces stationed near the border area and also of the loopholes caused by the nonuniformity of the KMT's many statutes and regulations, in this way bringing about the outward transportation of salt from the region. In addition, the northwest office of financial and economic affairs paid high regard to the importance of collecting economic intelligence in the border region. At all times, it had in its grasp full knowledge of the market conditions and on that basis gave directions related to the trade battles in the border areas. Moreover, it despatched capable cadres to the border areas to render aid and to give timely and concrete guidance and advice.

As for domestic trade, the principal measures adopted were the enforcement of a free and liberal policy, the smoothing out of circulation lanes, the development of the interflow of commodities between the urban and rural areas, and the organization of various forms of supply and marketing units and consumption cooperatives. At that time, Yen-an's southern district cooperative was a well-known model unit, playing an important role in the interflow of commodities between the urban and rural areas. This cooperative and the market place on the southern outskirts of Yen-an were the places customarily visited by Comrade Chen Yun to do investigation and research work. The border's regional bank, located at Yen-an's market gully, was used by Comrade Chen Yun as his headquarters for periodically studying economic measures and countermeasures. It was here that he personally guided the analysis of market conditions, making use of price fluctuations to regulate demand and to expand internal trade and at the same time giving directions for the expansion of external trade.

By 1945, as a result of production development and increases in trade, taxation receipts followed up with a large increase. Among the fiscal receipts, the yield from industrial and commercial taxes alone amounted to 11.2 billion yuan, while the fiscal expenditures (including expenses for clothing, meals, and so on) amounted to only 10 billion yuan. A small budget surplus thus resulted.

Let us turn next to the struggle in the currency sector. Before the south Anhui incident, the monetary unit in circulation in the border region was the fabi, the KMT's currency unit. Supplementing the fabi, for denominations below one fabi, "substitutive notes" were issued by the Guanghua store of the border region. After the incident, the KMT stopped giving military appropriations to the Eighth Route Army and forbade the remittance of contributions from Overseas Chinese and progressive people to the border region. In consequence, public finance in the region was at an unprecedentedly low ebb. In 1941, for the purpose of solving the livelihood problems of the armed forces and people of the region and of developing production, the border regional government was forced to announce the issuance of an independent currency unit for the region. At first, the exchange rate between the regional unit and the fabi was [unclear] in 1942, it was 2.95:1. In July 1943, the KMT reactionary armed forces launched an attack on the region, and the region's external trade was at a standstill. This stopped the supply of fabi from the outside and the value of the regional unit dropped to 13 units in exchange for 1 fabi. In reality, at that time, two currency units were simultaneously in circulation in the market. How to handle well, and properly, the value relation between the regional unit and the fabi and how to stabilize the value of the regional unit thus became an important factor in stabilizing finance and the market. There were hot debates on what measures to use to drive out, or to keep, the fabi from circulation. After repeated studies, Comrade Chen Yun, starting from reality, concurred with, and implemented, the views of Comrade Cao Juru [2580 5468 1172] who was rich in actual experiences and whose views were generally creative. In Cao's opinion, the fabi had rather "long legs," occupying the market alone in areas dominated by the KMT and sharing half of the market in the border region. Therefore, it would not do to

abruptly stop its circulation. It would be necessary to wait until production in the border region had developed to a certain point, trade had shown a favorable balance, the fabi had dropped sharply in value, and a financial crisis had erupted in the KMT market, and only then would the regional unit be freed from the influence of the fabi and able to squeeze out the fabi, and would thus circulate alone and independently in the market. At the same time, stabilization of the currency market would require first of all the grasping of real strength and seizure of the power of initiative, so that the fabi could be used to serve our purposes, that is to say, employed to "lengthen the regional unit's legs," and to greatly enhance production. Concurrently, the exchange rate should be duly regulated in accordance with the condition of the import and export trade, so as to stabilize the value of the regional unit and, step by step, drive out the fabi. An evaluation of the good or bad status of the regional unit and of whether or not it could exist independently should not take into account whether the exchange rate between the regional unit and the fabi was high or low but should center on whether or not the exchange rate could be stabilized. If at that time we were to specify the exchange rate between the regional unit and the fabi at 10:1, then following the depreciation of the fabi, we would gradually raise the specific value of the regional unit, say, to 9:1, or 8:1. In this way, not only could we raise the trustworthiness or credit of the regional unit, but also we would be able to issue more regional units and completely grasp in our hands the power of initiative. Thus, by means of developing production, balancing the budget, replenishing and substantiating the reserves of the regional units, and enforcing a correct policy vis-a-vis the fabi, victory was achieved in the battle between the regional unit and the fabi. The credit of the regional unit was enhanced, its currency value was stabilized, and stability was achieved in both the financial market and commodity prices.

III. Under Conditions of Difficulties in Finance and in Material Resources, Ensuring and Protecting the Focal Tasks and Attending to Other Tasks

In a wartime environment, all financial power and material power must be devoted to meeting the needs of warfare and everything done should be for the sake of winning the war. This was not only an economic problem but also a political problem. By 1944, Comrade Chen Yun was reiterating the demands for production development, frugality in daily living, and storing and reserving power and strength, in preparation for the counteroffensive. Hence, he strongly emphasized that fulfillment of the vital tasks must be ensured, that disbursements must be made in proper order, that financial power and material resources must first be devoted to war purposes, and that distribution and apportionment must be fair and reasonable. In his talk on "How to Make a Success of Financial Work," he pointed out: "What should be the guiding policy for financial work? It is: production comes first, distribution second; revenues come first, expenditures second. In ensuring the meeting of demands, the armed forces rate first, schools second, and government organs third. This is because government organs possess certain capacities of their own and their staff members and workers are relatively small in number. In solving problems, the vital tasks should come first." Concerning the items of expenditure of the armed forces, he pointed out: "Food

for the soldiers and fodder for the horses are most important; uniforms come second. If there is money, more oil and table salt should be given to the armed forces so that they have better food. If they have better food, fewer ailments will bother them." Because of the distribution measures being fair and reasonable, performance of the vital tasks was ensured while other tasks were attended to just as well and everybody felt good, with no complaints to make. At that time, despite the shortage of material resources and the difficulties on the financial front, the supply system, or system of payment in kind, was enforced among both the armed forces and the employees of the government organs. Both the armed forces and government officials were treated alike, while officers and the ordinary soldiers were all on an equal level. For the sake of victory in the revolutionary war, everybody was spiritually elated and all were united in heart and soul. Just as Comrade Mao Zedong pointed out afterward: "With the armed forces steadily advancing, production growing, and the strengthening of discipline, the revolution will surely emerge in success."

It may be said that in his leadership work in the Shaanxi-Gansu-Ningxia-Shanxi-Suiyuan border region and in the northeast liberated area, Comrade Chen Yun devoted his utmost efforts to his tasks and accomplished many illustrious feats. In his thinking, workstyle, and methodology, he fully illustrated our party's superior tradition of seeking truth from facts and starting everything from reality. In my estimation, his more outstanding feats were the following:

/1. He made a penetrating and systematic investigation and study of the economic situation, began everything from reality, and acted in accordance with the actual conditions./ He devoted his personal attention to each and every important problem. He would see with his own eyes, hear with his own ears, write with his own hands, and tightly grasp all firsthand material. Moreover, he would enter into deep discussions and exchange views with comrades working on the first line of production or other kinds of work. Whenever a problem arose, he would humbly seek advice from trade people in the know. He would carefully think over and get to the root of each and everything. He frequently said: "I like to get to the bottom of everything!" He not only wanted to make clear the nature of things and the objective laws governing them but also insisted on having a correct knowledge of exact quantitative details. For example, he paid frequent visits to the market place on the southern outskirts of Yenan City, where he would take a personal look and find somebody to talk with. Furthermore, he would designate special personnel to effect liaison with the markets, listen to their reports, grasp the necessary statistics and reach a clear picture. Then he would combine what he already understood with the guidelines and policies determined by the central authorities, deliberate on them, and finally reach a conclusion concerning the exact policy to be taken and the exact steps for its enforcement. In this way, he avoided going about his work blindly. All along, Comrade Chen Yun firmly insisted on deriving truth from facts and strenuously avoided starting from subjective wishes. He would not conceal the difficulties ahead, no matter how great they might be, but also would never miss the slightest bit of any advantageous factor. In addition, he faithfully adhered

to the principle of doing things according to one's capacity, being content with doing as much as one can afford. At the time when he was handling the battle between the regional currency unit and the fabi, certain comrades among the theorists advocated that since, politically, the border region was independent in character, the region should at once prevent the fabi from circulating. But he insisted on acting in accordance with the actual conditions and adopted the method of gradually building up the strength of the regional unit and using the fabi against the fabi. In the end, he reached the objective of driving out the fabi. In enforcing the policy calling for "developing the economy and ensuring the availability of supplies," Comrade Chen Yun staunchly emphasized ensuring and protecting the vital tasks. He urged taking a long-term view and acting accordingly, just like "storing up grain in preparation for famine," and keeping ample reserves just in case of emergencies. He said: If each and every organ demanded a little more to spare and some financial reserves, then power would be disintegrated and it would be impossible to meet with any contingency once it should arise. He called this utterly unworkable. All these views of his came from actual practice and not purely from subjective wishes. Thus, he perceived correctly, acted within his capability, and reaped commendable results.

/2. He realized that in doing economic work, one must rely heavily on the use of economic method and must be adept in accounting work./

In doing economic work, Comrade Chen Yun was especially strong in his grasp of figures. His use of figures was unusually correct and adept. He often discovered the internal connections of things through checking the relation between different sets of figures. Moreover, he strongly emphasized that in doing financial and accounting work one must have the determination to acquire a full knowledge of the business and to know accounting work, and be able to handle the "abacus" carefully and meticulously. In his talk on "How to Make a Success of Financial Work," he pointed out: "When a person comes along with a requisition for certain things, we should do a little calculation with him and work on the 'abacus' carefully and meticulously. This is absolutely necessary. If 'political considerations' should take control and we should condescend to give whatever other people ask for, without checking the accounts and records, then it simply would not do." He strongly urged that simultaneously with carefully going over the accounts and records, we should do some supervision and checking work. He pointed out: In doing economic work, one must assume the attitude of being "in charge," and the attitude of being master of the house. A master of the house must attend to its finances and "the checking must be stern and serious....like 'trying to find a piece of bone in a plate of bean curd'." "When checking over the accounts, it is necessary to look at each and every item. Although in form this looks like trying to find faults, in reality this is the only responsible attitude. It is being responsible to the revolution." Conversely, if such a serious and responsible attitude is lacking, and if we indulge in talking of big things, become perfunctory in our work, fail to check accounts or to calculate the cost of production, and do not care about effects, how can we make a success of economic work?

/3. He insisted that we must strengthen planning./ Comrade Chen Yun strongly emphasized that in financial and economic work planning must be strengthened. This has been his ideology all along. In his report to the sixth national labor conference, he advocated: "It is necessary to give first place to this problem. We must make all state-run and publicly owned enterprises undergo through investigation and research and all-round planning and carry out production under unified leadership and a unified plan." ... "In a word, lack of planning will cause waste and extravagance, whereas doing things according to plan can raise production yields and can also build a foundation for undertaking planning for the whole country in the future." At the time when he was in charge of the northeast financial and economic commissariat, he repeatedly and emphatically explained that the scale of recovery of the industries in northeast China was daily expanding and that the ratio occupied by industry in the national economy was daily becoming higher, but that the industries lacked a planned character, resulting in lack of regulation and of linking up of raw materials, machines, working personnel, production, and marketing, and thus in waste and losses. For this reason, he emphasized that planning must be strengthened. "First of all, it is necessary to specify the production plan of state-run enterprises; second, it is necessary to specify the direction and plans of state-run enterprises in the various provinces, municipalities, and counties." He further recommended that the northeast bureau adopt a resolution to formulate an industrial production plan for 1949 and, if possible, a production plan for the 2 years 1949 and 1950, to thus learn and take the direction of planned production.

Over the past 40 years and more, from breaking the enemy's economic blockade of the revolutionary base area to gradually building the economic foundation of new democracy, and ultimately to setting up the planned economy of socialism, we have gone through a procedure of very arduous twists and turns. Today, we have entered a historical period of the opening up of a new situation of socialist modernization. Rather great changes have been made in the situation. Naturally, we cannot copy in a wholesale manner particular policies and methods of past history for the purpose of tackling the many newly arising problems of the moment. However, in firmly insisting on working in accordance with objective economic laws while looking for a new road to socialist modernization construction, in enforcing a policy of opening up external relations and enlivening the domestic economy, and in studying and planning for a new system of economic management, it is extremely necessary to learn appropriately from these historical experiences in order to avoid, or lessen, the twists and turns in our modernization program and to ensure smooth progress in our reform of the economic system and in our construction undertakings.

CSO: 4006/355

NATIONAL POLICY AND ISSUES

PAPER ON CHEN YUN'S 'WORKS,' PLANNED ECONOMY

HK131240 Beijing GUANGMING RIBAO in Chinese 4 Mar 84 p 3

[Article by Yang Rongshen [2977 2837 4800]: "Socialism Must Adhere to Planned Economy--Some Understanding Gained From Reading 'Selected Works of Chen Yun'"]

[Text] The works written by Comrade Chen Yun during the period of democratic revolution and compiled in the "Selected Works of Chen Yun" (1926-1949) which touch on the planned economy are limited in number but from these few expositions we can still draw great, valuable inspiration.

In August 1948, with the exception of such big cities as Changchun and Shenyang, the vast areas of northeast China were already liberated and by then we had successively taken over a number of railways, mines, power stations, telecommunications undertakings, heavy industrial plants, light industrial factories, and city-run enterprises which were large in scale and technically advanced, a situation thus emerging in which socialist mass production based on a public ownership system prevailed. In the face of such a situation, in his article "The General Task for the Present Movement of Chinese Staff and Workers," Comrade Chen Yun suggested for the first time that a planned economy be practiced in the northeastern regions of China. He said: The strengthening of planning in industrial production should be "put in the first place." "If we act according to planning, we can boost production." ("Selected Works of Chen Yun," p 261) This suggestion is a reflection of the objective demands of socialized mass production based on the socialist public ownership system and a concrete application of Marxist theory on planned economy.

Before the socialist revolution had won victory in any country, Marx had anticipated that the socialist economy would develop in a planned and proportional way. After the proletariat seized political power in the October revolution, this theory was applied and confirmed in the Soviet Union. In China, because the proletariat seized political power by taking a road with Chinese characteristics, namely, encircling the cities from the countryside and finally winning countrywide victory, and, before the proletariat seized political power in the whole country, in some regions of our country there had taken shape such economic conditions as socialized mass production based on a public ownership system, there was already the possibility of putting Marxist theory on planned economy into practice. In the situation in which

there was a drastic change in the revolutionary situation and economic work was increasingly placed in a position above or only second to military affairs, it was very appropriate for Comrade Chen Yun to advocate that planned economy should be practiced and that the strengthening of planning in economic work should be put in the first place.

Comrade Chen Yun made not only an analysis of the necessity of practicing planned economy in light of the developments in the revolution but also important proposals on how to make economic plans. He held: In order to base economic plans on a reliable foundation, it is necessary to carry out investigation and study above everything else and to work out overall planning. On the one hand, overall planning means taking into account both past experience and the situations that may possibly arise in the future and paying attention to the congruity of both long- and short-term plans. Generally speaking, in industrial production, it is impossible for one to reap benefits the same year that one makes an investment. In setting up a factory, the whole process, ranging from ordering and installing machines to going into operation will take at least 3 to 5 years. Comrade Chen Yun pointed out: "Right now we must think of a plan as to where an iron mine should be opened up and a steelworks should be set up so that iron and steel production can be carried out as required by the situation. A distinction should be made between the projects needed in the several years to come and those needed in today's war effort and between the projects needed at present and those needed both in the present war and in the peaceful construction period." ("Selected Works of Chen Yun," p 261) On the other hand, overall planning means paying attention to the interrelation of production, distribution, exchange, and circulation. Comrade Chen Yun pointed out: "Industry, agriculture, transport and communications, finance, and trade must work in coordination. Without unified management, we will accomplish nothing in our economic work." ("Selected Works of Chen Yun," p 261) The aim of carrying out overall planning is to ensure a proper ratio in all sectors of the national economy. This is because the key to whether or not a plan is worked out properly lies in whether or not the plan tallies with the objective demands of planned and proportional development. If the plan is not based on a rational ratio, the national economy will hardly develop in a harmonious manner.

In the light of the then actual conditions, that is, the coexistence of many and varied economic sectors, Comrade Chen Yun also maintained that different planning forms should be applied to different economic sectors. He pointed out: It is first necessary to do a good job in drawing up plans for state-run and publicly operated enterprises so that they can carry out their production under unified leadership and planning. In other words, it is necessary to adopt relatively concentrated, direct planning. If this part of planning goes well, we already have the possibility of offering leadership to the factories privately run by the capitalists and the factories jointly run by the state and private individuals, that is, to guide their production with indirect planning. As for the production of individual agriculture, the handicraft industry, privately run commerce, and small retailers, we must rely on regulation by market mechanism under the guidance of planning. For

example, between April and May 1948, generated by the needs of war and a drastic increase in issued money and coupled with the crop failure in 1947, grain prices rose by 100 percent. To persuade the peasants not to store grain excessively or to grudge selling their grain, to increase grain supplies in the market, and to stabilize grain prices, the government issued an explicit order that free trading of grain was allowed while the hoarding of grain by merchants for speculation was prohibited. As a consequence, in grain-deficient areas grain prices fell or became stable, while in grain-surplus areas grain prices went up, and proper grain prices took shape in China's north-eastern regions, that is to say, grain prices in July 1948 increased by only 50 percent or became more stable than those in April and May. This was a typical case of regulating the market by means of administrative and economic measures.

The above-mentioned simple analysis clearly indicates that early before the founding of the PRC, Comrade Chen Yun had applied Marxist theory on planned economy to the realities in China. Chen Yun's important ideas of placing the strengthening of planning in the first place, drawing up an overall plan for the production of state-run and publicly operated enterprises, offering guidance to other economic sectors, and putting the market under control by introducing certain measures had produced the outline of practicing planned economy in China.

After the founding of the PRC, through the practice during the period of recovery of the national economy and the First 5-Year Plan period, Comrade Chen Yun's theory on practicing planned economy in China was considerably enriched and developed. During the course of socialist transformation, indiscriminate application to capitalist industry and commerce of the methods of the state placing orders with private enterprises for processing materials or supplying manufactured goods and of state unified purchase and marketing resulted in a decline in product quality and variety and dullness in the market. To counter this situation, Comrade Chen Yun promptly suggested replacing the above-mentioned methods with the method of the state purchasing a portion of products in a selective way and private enterprises being allowed to market the rest of their products through their own channels, but he advocated practicing planned distribution of some important materials and the goods in great demand whose supply fell short of demand. At the party's eighth national congress, he expressly advocated that the socialist economy must consist of two parts--planned production and free production conducted according to regulation by market mechanism. He said: "The production of the principal part of the manufactured goods and farm produce throughout the country is subject to planning and that of some products can be carried out freely in accordance with varying market conditions and within the limits allowed by state planning. Planned production constitutes the bulk of our industrial and agricultural production and it is complemented by free production conducted according to varying market conditions and within the limits allowed by state planning." ("An Edition of Comrade Chen Yun's Selected Writings," pp 12-13) This free production conducted within the limits allowed by state planning can invigorate the economy, meet the manifold needs of the people, and proceed

to ensure that social production as a whole can develop in a proportional and coordinated way. Therefore, free production can improve the planned economy rather than weakening it. This creative idea of Comrade Chen Yun's is a great development of Marxist theory on planned economy.

Following the 3d Plenary Session of the 11th CPC Central Committee, our party brought order out of chaos in an overall manner and corrected the "leftist" errors. In summing up historical experience, Comrade Chen Yun once again pointed out: Of China's socialist economy, the sector of planned economy is basic and primary and that of free production conducted according to regulation by market mechanism is subordinate and secondary but necessary and useful. Moreover, in the light of the problems existing in actual economic life, he pointed out: The key to the problem lies in the fact that we must consciously realize the inevitability and necessity of the coexistence of these two economic sectors and try to gain a clear picture of the weight of these two economic sectors in different departments of the national economy. Failure to manage matters that should be handled strictly according to planning is bound to lead to disproportion. Take capital construction for instance. Failure to put it under strict control is bound to give rise to blindness and duplication in construction, failure to develop energy and transportation projects in a planned and selective way will surely cause them to be seriously out of line with the development of the national economy, and failure to control the processing industries will certainly lead to the situation in which the production of a factory has to be suspended for lack of raw materials the moment it is completed. Excessively controlling matters that should not be subject to planning is also bound to lead to disproportion. For example, forcing ourselves to subjugate the production of small commodities which are meager in value and miscellaneous in variety, such as small articles of daily use and metal fittings, to state planning will give rise to disconnection between production and supply and disproportion in supply and demand. The economy under the system of ownership by the whole people should give priority to the planned economy and such also is the case with the economy under the collective ownership system. If not, the latter is very likely to depart from the socialist orientation. All this serves as further substantiation and development of the theory on planned economy. Upholding the principle of the leading role of the planned economy and the supplementary role of regulation by market mechanism and correctly defining the ratios of these two economic sectors in the different departments of the national economy are the central issue of the reform of our planning system and of the economic system as a whole and an important content of building a socialist economy with Chinese characteristics.

True, the socialization of China's means of production at present is far from high and the scope and degree of regulation by state planning is still limited. We must vigorously develop commodity production and commodity exchange, introduce the responsibility system, and reform the economic management system. All this is aimed at improving and perfecting the planned economy.

CSO: 4006/355

NATIONAL POLICY AND ISSUES

ECONOMIC ZONING LINKED TO ECONOMIC RESTRUCTURING

Shanghai WEN HUI BAO in Chinese 19 Aug 83 p 3

[Article by Yao Shihuang [1202 6108 3552], Luo Zude [5012 4371 1795], Chou Jinqian [0092 6855 3123] and Zhu Xinxuan [2612 2450 6513]: "Planning of Economic Zones and Reform of the Economic System"]

[Text] Establishing economic zones based on large cities is not only a major event in China's economic construction but also an important exploration of the reform of the economic system. Using the Shanghai Economic Zone as an example, this article will try to discuss some views concerning the inevitability of establishing economic zones and the relations between planning of economic zones and reform of the economic system.

The Inevitable Trend of Socialized Large-Scale Production

That the 10 cities and 57 counties of the Changjiang delta area have joined efforts to establish a trans-regional economic zone is not a subjective wish of the people, nor an expedient measure to alleviate certain contradictions. Instead, it is an inevitable product of the development of socialized large-scale production, as well as a requirement of the objective law governing the economic development in China.

Obviously, when society is in a self-sufficient, naturally formed economic situation, economic zones would not be needed; and when the commodity economy has not yet been highly developed and the production socialization has not yet reached a certain level, the urgency of establishing economic zones would not be very strong. The appearance of economic zones is a development of the forms of socialist economic structure when a social productive force has developed to a certain stage to better organize regional division of labor, fully utilize local advantages and harmonize relations between men and nature.

In 1921 the Soviet Union established a zoning committee and formed 21 large economic zones throughout the country. The Ruhr Valley in Germany is also an economic zone that was formed relatively early. Since World War II, especially since the 1960s, countries such as the Soviet Union, the United States, West Germany, Japan, England and France, in order to better solve the economic regionalization issue, have generally paid great attention to

the "regionalization plan," and the main targets of the plan have also been developed from the original specialized zones, which developed and processed natural resources such as coal, petroleum and minerals, to multipurpose industrial areas along the coast and around big cities. To meet the needs of 21st century's economic development, Japan is now planning for "technological policy circles"--new economic zones with highly developed industrial and technological structures. The development of a division of labor and coordination in production have engendered not only domestic transregional economic zones but also transnational economic coordination such as the EEC and the CEMA.

The reason some countries attach great importance to economic coordination is that by carrying out such coordination they can give comprehensive consideration to development and utilization of regional natural resources, rational distribution of industrial production, urban construction and development and protection of the ecology, thus developing their production toward the most economic and favorable form of socialized organization. This process is determined by the internal law of the development of productive forces. For example, such contradictions as overcrowded cities, inappropriate distribution of industries, an unbalanced ecological system and reduced farmland have occurred in the economic development of the Changjiang delta area. All these circumstances are linked to a lack of unified planning. Therefore, uniting all forces to work out a unified plan has become inevitable.

Important Aspects of the Reform of the Economic System

Since, for a long period of time, we have been used to guiding economic relations through administrative relations and the influence of small-scale production is very profound, establishing economic zones and carrying out the planning work would confront many contradictions. This shows that the planning work of economic zones must be combined with the reform of the economic system and become an important part of it.

One of the problems now existing in China's economic system is that enterprises lack vitality. Reforms such as expanding enterprises' autonomy, substituting taxation for profits delivered to the state and establishing economic responsibility systems are all conducive to invigorating enterprises and arousing staff and worker enthusiasm. However, these reforms are chiefly aimed at the micro-level--enterprises. As far as the medium echelon--districts and cities--are concerned, the crux of the problem is that under the influence of administrative division, self-sufficient and isolated systems have been formed and various "medium-sized but complete" businesses have been undertaken. Hence, the occurrence of overlapping construction in excess of the needs of the entire country, blind development in violation of economic law and the destruction of natural resources by "draining the pond to kill all fish." Construction of wristwatch, bicycle and electric fan plants has been started everywhere in the Changjiang delta area and their potent production capacity has already exceeded the needs of the market. Is this not exactly a reflection of such a

contradiction? In recent years, blind development of some commune- and brigade-run enterprises has worsened the shortage of raw materials and energy supply, has reduced farmlands and has deteriorated pollution. Are these not also caused by a lack of unified planning?

Due to the leading and conditioning roles of large systems over small systems, if the reform of large systems fails, results of small systems' reform will be limited. Even the overall efficiency of the national macroeconomic system will also be adversely affected. For instance, expanding an enterprise's autonomy is, of course, conducive to arousing its enthusiasm. But if an enterprise is a product of blind construction, would it not be worse if its autonomy is expanded? For another instance, the independent financial system is, of course, conducive to arousing local enthusiasm. But, in order to increase their own revenue, all localities blindly develop processing industries which give quick returns, and do not consider whether they are needed or not by the country as a whole, resulting in overlapping construction. Some even practice a closed-door policy in regional commodity circulation and benefit other countries by competing for exports among themselves. All these have explained how important and urgent it is to scientifically and rationally conduct the reform of macroeconomic and medium-level economic systems.

Establishing a series of economic zones throughout China in accordance with naturally formed economic and geographical links is helpful in eliminating economic systems that are isolated by administrative divisions, solving problems such as overlapping construction and blind development within the limits of large economic zones and establishing an open economic system. The economic zones will give full play to the role of economic levers, accumulate experiences in approaching such issues as separating political affairs from enterprises, making good use of the base cities and coordinating the relations between central and local authorities, and create conditions for carrying out reform of the national-level economic systems.

Plan Economic Zones in the Spirit of Reform

The current planning work of the Shanghai Economic Zone is also a strategically significant, major systemic reform. It contains many profound and complicated components which deserve our thorough study and investigation.

For example, transregional inter-trade coordination is an important content of the economic zoning plan. Taking into consideration such aspects as readjusting industrial distribution, organizing specialized production and increasing economic results, many industries in the Changjiang delta area such as the bicycle, wristwatch, silk, cotton, machinery and electronic industries should all resort to coordination and "push toward the outside and unite internally." However, what is worth studying is this: Although we have emphasized that we must adopt the principles of voluntary participation and mutual benefit--not forced matching--in carrying out the coordination, each step in the coordination would inevitably involve issues concerning plans, financial and personnel affairs, workers' wages and administrative jurisdictional relations. It is very likely that the expected

targets would not be fulfilled if the coordination is not linked to systemic reform carried out in a comprehensive and systematic manner.

Using local advantages to conduct specialized division of labor, which is related to coordination, is the same as coordination. Taking into consideration the unified plan of economic zones, every city within the zones must become a specialized city and not brag about "having everything." To the cities concerned, this not only means that they have to strengthen and develop some industries but also that they have to give up or transfer some industries. By doing so, the output value, profits, revenue and other interests of these localities will probably be affected for a certain period of time. For this reason, aside from urging people to take the situation as a whole into consideration and be far-sighted, concrete stipulations of some policies must be appropriately adjusted.

Economic zones are established to break through the "medium-sized but complete" isolated systems. Other forms of isolation, such as the relations of economic zones with the outside, will probably occur if economic zones are not established in light of the reform. For another example, after city-administered counties are established, a number of second and third level economic zones will be formed one after another. Will these small economic zones again become new isolated systems? Due to the strong influence of small-scale production, such possibilities have not been completely eliminated. This requires us to find a way in the system reform to stop such tendencies once and for all.

From the point of view of long-term development, we must take the road of separating political affairs from economic affairs and enterprises. All cities in economic zones should gradually merge into an organic whole in accordance with inner economic links. At present, conditions for doing so have not yet matured. However, since the Shanghai Economic Zone serves somewhat as a vanguard throughout the country, a series of issues concerning the reform of the economic system confronting the economic zoning plan can also be studied, discussed and experimented with first in the Shanghai Economic Zone. This may cause more difficulties and setbacks. But only by doing so can the Shanghai Economic Zone secure real and bright prospects.

12302

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ECONOMIC MANAGEMENT

ECONOMIC LEVERS, PLANNING MANAGEMENT

HK131245 Beijing RENMIN RIBAO in Chinese 27 Feb 84 p 5

[Article by Zheng Hongqing [6774 3163 1987]: "Use the Economic Levers, Strengthen Planning Management"]

[Text] For socialist states which have planned economies, the question of how to use economic levers to strengthen the planning management of the national economy represents an important theoretical and practical problem. Commodity exchange relations continue to exist in socialist societies, and the law of value still plays an important role in production and circulation; under these conditions, the conscious use by the state of all the various economic levers to regulate economic life constitutes an inherent requirement of the socialist planned economy, and a necessary means of strengthening planning management and achieving planned goals.

The Important Role of Economic Levers

In the socialist period, the interests of the entire labor force are divided into state interests, collective interests, and individual interests, which are independent of each other. With the prerequisite of serving state interests, collective and individual interests are concerned with and pursue their own aims. These represent important motive forces for the encouragement of the masses' initiative and the promotion of the development of the production forces. The basic quality of prices, income tax, credit, and other economic levers, lies in their intimate connection with economic interests in the social sphere, such that changes in the economic levers will induce changes in the distribution of interests, causing an increase or decrease in the interests of units and individuals involved in a certain economic activity, and thereby guiding management policy. This type of regulation is characteristically indirect; it does not involve giving direct orders concerning the production management of enterprises, but instead achieves the same thing through regulation of the distribution of interests, leaving the enterprises with a wide margin for autonomous activity.

In socialist planned economies, the various economic levers are in the hands of the state, which represents the common interests of the people, and the direction and extent to which these levers play their regulatory role is subject to the guidance and control of the state plans, which enables them

to function in the service of the state's strategy for economic development and the planned goals. This in fact represents the utilization of the law of value in its concrete form, and is an important integral part of national economic planning management.

The regulatory role of economic levers is manifested in both the macroeconomy and the microeconomy, and links these two together organically. In the macroeconomy, the state's use of the various economic levers enables it to regulate the distribution of the national income in a planned way. During the initial distribution, this is done primarily by fixing rational categories of taxes and taxation rates, and on the basis of tax categories splitting them into central taxes, local taxes, and shared central and local taxes, and drawing up the ratio of financial income in the national income and that of the central budget in the financial income, stressing the importance of the ratio between accumulation and consumption and that between state, collective, and individual distribution. On this basis, it will be relatively easy to achieve an overall balance in finance, credit, and the market, and to ensure the steady and coordinated development of the national income. At the same time, only in this way will it be possible to appropriately open up microeconomic activities, making them lively but not chaotic. In the redistribution of the national income, by expanding fund allocations and loans, and regulating income tax and prices, we will be able to use financial and material strength to effectively strengthen key construction, support the growth of new production areas, promote the advance of science and technology, push forward the reorganization of our enterprises, and thereby gradually rationalize and modernize the structure of our production, technology, and enterprise organization.

In the macroeconomic sphere, the regulatory role of the economic lever is manifested primarily in two areas. First, the regulation of the profit levels of different enterprises make income differentials given to certain enterprises by objective conditions (such as material resources, equipment, sales, and other favorable conditions) available to society through taxation, price regulation, and other means. In this way, a common "starting line" will be drawn for all enterprises, so that they may engage in beneficial competition under fair and rational conditions. Once the opportunity for enterprises to use external conditions to take a short cut to easy profits is taken away, they have no choice but to concentrate on raising product quality, cutting costs, making use of new technology, creating new product lines, and so on. Meanwhile, those backward enterprises which for a long time have failed to reach the "starting line," faced with the prospect of elimination through competition, will have no choice but to close, stop production, or switch to a different sphere of production. This is definitely beneficial to the task of improving enterprise quality and enhancing our society's economic efficiency.

Second, by raising and lowering prices, increasing and decreasing income tax, and selectively expanding loans, we are able to use economic interests to encourage those economic activities which fit in with the state planning

goals, and restrict those which do not. Those enterprises carrying out guiding plans, in order to increase their own profits, will work hard to fit in with the state plans when deciding on what and how much to produce. At the same time as functioning among producers, the economic levers also play their role among consumers, affecting the structure of enterprises' raw materials investment and the structure of public consumption. This not only plays the role of regulating the balance between production and demand, but also helps bring the microeconomic activities of both enterprises and individuals into the orbit of the state macroeconomic plans.

In the past, our planning management work concentrated too much on using administrative means, and too little on making use of the regulatory role of economic levers; this both affected our ability to effectively control macroeconomic activities, and weakened our control and regulation of microeconomic activities; in particular, we were not able to adapt to the new situation of opening up to the outside and enlivening the domestic economy, and this has become an important issue in urgent need of solution.

Centralized Management, Dynamic Utilization

The use of the various economic levers has a bearing on the whole national economic situation. The primary question involved here concerns the need, on the basis of unified state planning, to bring the way in which these economic levers are used in line with the planning goals. If we go against this principle, the levers may play a negative role, leading enterprises in the wrong direction, and hindering rather than aiding the management of state plans. This phenomenon actually exists in economic life; for example, there is a relatively big shortage of energy resources in China, and the plans demand great efforts to be made toward increasing production and cutting consumption, but the price of energy resources has been fixed too low, with the result that production increase is restricted and waste encouraged. The low-price energy policy makes it easy for processing industries to make a profit, which in turn helps the blind development of high-consumption, low-efficiency processing industries and exacerbates the tight energy supply situation, to the extent that there arises the irrational phenomenon of the small squeezing out the large and the backward squeezing out the advanced, which is in marked violation of the state planning goals.

In order to ensure that the economic levers are used in a way which accords with the needs of the state plans, the rights over the management of these levers should be highly centralized. All the important policies and adjustments concerning such aspects as prices, income tax, credits, and wages, should be the responsibility of the central departments concerned, and should be based on the state planning goals; thorough discussion should be undergone before policies are worked out, and after the necessary coordination and balancing by the general department, a report should be made to the central authorities; after examination and revision by the State Council, the policies will finally be put into practice. No department or region is allowed to simply go its own way. From now on, when formulating the guidelines for the tasks involved in social and economic development, consideration must be given

to the question of how to make use of the various economic levers; when the state submits its plans, the necessary readjustments must be made to these economic levers on the basis of the plans, so that the levers become genuinely composite parts of the plans.

Some comrades consider that economic levers are mainly for the service of guiding plans, and that the regulation they effect is "soft regulation" outside the mandatory plans. This is a one-sided view. Though the use of economic levers is not the same as giving direct orders to all enterprises concerning production targets, nevertheless, aspects such as income tax, planned prices, loan figures, wage increase rates, and so on are mandatory or compulsory in nature, and must be strictly carried out. With the prerequisite of centralized management of the main aspects, it is also necessary to give regions and departments the necessary administrative rights and flexibility, to enable them to suit measures to local conditions in terms of price differences, tax categories, tax rates, and interest.

Socioeconomic life is both dynamic and varied, and if economic levers are to play an effective regulatory role, they themselves must have a certain vitality. Whether in prices, income tax, credit, wages, or whatever, if they are too simplified and cannot be readjusted according to changing conditions, the regulatory role of the economic lever may be lost. If the economic levers are to move sensitively, the scope of planned prices fixed by the state cannot be too broad, and the price of a great number of ordinary products should be floated, negotiated or free, within certain limits. Even planned prices cannot remain the same for many years; different tax categories and tax rates should be fixed for different economic activities, and the appropriate adjustments made when necessary; under the guidance of state credit income and expenditure plans, we should expand the rights of banks to give credit on preferential terms, and carry out systems of floating interest rates and so on; as for the wages of staff and workers, the situation of "chaos, rigidity, and egalitarianism" should be changed, and wages should be linked to the management results of enterprises and to individual labor contributions. In this way, the economic levers will be able to adapt to the complicated changes of economic life, and become an effective means of strengthening planning management.

Conditions Necessary for Using Economic Levers Properly

If economic levers are to play a positive regulatory role, it is necessary to prepare various conditions. The main ones are:

First, the creation of an economic environment in which total social supply and total social need are largely balanced. This is a prerequisite for the normal use of economic levers. If overall demand exceeds overall supply by a large amount, there will be great shortages in the supply of materials of production and consumer goods, creating a "deficit" in financial income and expenditure, such that the whole of economic life will degenerate into a tight and chaotic state, and the use of economic levers will inevitably be

severely limited. Under these conditions, there is no choice but to conduct even stricter, more rigid management of prices, so as to avoid great fluctuations in market price levels.

At present, the main way of achieving a balance between supply and demand is to control any excessively swift increase in social demand. The most important way of doing this is to use national strength to arrange the overall scale of capital construction, bring investment both inside and outside the budget within the overall investment plan of the state, and use administrative, economic, and legal means to strictly guard against violations of these plans; to rationally fix the increased speed of consumption funds, and keep the income of the urban and rural population in appropriate proportion to the increase in labor productivity. If these two jobs are grasped well, there will be the possibility of a "sellers market" in which commodities are in relatively abundant supply, and there will be room for maneuvering in the state's financial and material strength, while there will be a relatively great amount of freedom to use economic levers.

Second, enterprises must become economic entities which have a genuine unity of responsibilities, rights, and interests, and which are independent from each other. This is the basis on which economic levers may play a regulatory role. If the state manages its enterprises too rigidly, there is too little autonomy in production management, "everybody eats out of the same big pot" in terms of distribution, and the rise and fall of income tax and interest rates and the fluctuation of prices mean nothing more to enterprises than a little increase or decrease in profits, with no great effect on their own interests, then enterprises cannot possibly take the regulation of economic levers too seriously, and will not be able to respond to them in a sufficiently lively manner. The solution to this problem requires the continued expansion of enterprise autonomy, so as to enable enterprises, on the basis of obeying state plans and policies, to autonomously carry out their own enterprise management; and the overall implementation of "the substitution of taxes for the delivery of profits," so as to give enterprises the right, after paying their taxes, to manage the profits they retain, and take complete responsibility for profits and losses. If economic efficiency is high, more profits will be created, and the enterprise's workers and staff will earn more; if economic efficiency is low, losses will be created, and the interests of the enterprise and its workers and staff will have to decrease commensurately. Only in this way will enterprises be able to respond sensitively to the regulation of the economic levers, and state use of these economic levers will gain the expected results.

Third, the establishment of a good information feedback system. The conscious use of economic levers is a process which requires constant decisionmaking, and needs to be based on a comprehensive, timely, and reliable information network. At the same time, it is necessary to carry out strict examination and supervision of the way the economic levers are being used, which again requires this sort of information. In the past, for such reasons as a lack of consideration given to the problem, an imperfect system, and backward information tools and means, there was not enough economic information

available in China, and such information as there was communicated too slowly, and was not sufficiently reliable, which made it a weak link in the management of the national economy. Under these conditions, it was impossible to avoid becoming blind in our use of economic levers. To establish a perfect information feedback network, we must ensure that information from every single enterprise and shop is more comprehensive and correct than before. Departments of planning, statistics, banking, industry, and commerce at all levels must come to see the accumulation, analysis, and publication of information as an important task. Each sector and region must establish special information organs; in large cities in particular, we must establish interrelated comprehensive news centers, and make use of advanced methods and means such as computers and economic matrices. On this basis, we should gradually build up a nationwide information center and information network. With this sort of information system, we can be made aware of the state of economic life and its developmental trends in a timely and correct manner, and use this information as a scientific basis for drawing up plans and utilizing economic levers.

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ECONOMIC MANAGEMENT

GIVE CORRECT GUIDANCE TO CONSUMPTION

HK141434 Beijing RENMIN RIBAO in Chinese 10 Mar 84 p 5

[Article by Yin Shijie [1438 0013 2638]: "Consumption Requires Correct Guidance"]

[Text] The consumption mentioned here refers to consumption in daily life, excluding production consumption. The object of daily consumption is consumer goods, which include the "consumer goods that exist in the form of a commodity" as well as the consumer goods that exist in the form of service." (Marx: "The Theory of Surplus Value," Vol 1, p 160, People's Publishing House) Consumption has a social nature. The consumption in socialist society should reflect the lifestyle of socialism, the nature and characteristics of socialist production relations, and the integration of socialist material and spiritual civilization.

In a socialist society, consumption is by no means of spontaneous activity. It is rather an intended and planned activity. We can, through consumption, not only realize the reproduction of the labor force but also develop their wisdom and physical power and train a new generation of people who are developed in an all-round way. We can realize the material benefits of the individual laborers and also promote production, distribution, exchange, and the development of the entire national economy. Therefore, it is of great significance to correctly guide consumption.

How should we correctly guide consumption?

First, it is necessary to uphold the outlook of socialist consumption and lead the people's consumption activities toward the direction of socialism. We must enable consumers to realize the following: What kind of lifestyle is significant and happy, which is worth pursuing; and what kind of lifestyle is insignificant and unhappy, which is not worth pursuing. We must also enable the consumers to understand the following: The improvement of consumption standard is not merely indicated in the improvement of their material life, but in the improvement of their cultural life; the people's happiness is not merely expressed in their material life, but in having communist ideals, sentiments, morality, character, and so on; and the people's consumption activities are not merely manifested in the development of socialist material civilization, but in the development of socialist spiritual civilization.

This means that we should use socialist consumption viewpoint to guide all our consumption activities, including the upgrading of the consumption level, the change of consumption structure, the improvement of consumption methods, the opening up of new consumption fields, and the readjustment of industrial structure and product mix and development of consumer goods. Only in this way can our consumption reflect the essence of socialist lifestyle and socialist production relations.

Second, our consumption should be economically rational and substantial. Due to our large population, poor foundation, and low level of productive forces, the improvement of our consumption level can only be gradually attained. We should not try to raise our consumption by deviating from our level of productive forces, still less should we blindly consume like the Western countries which are characterized by extreme extravagance. In expanding our consumption and satisfying our consumption needs, we should be economically rational, conserve the draining of labor power in consumption fields, and improve the consumptive results. In the course of consumption, we should stress substantiality and effective results rather than the superficial form and vanity. The improvement of consumption level is not merely indicated in the average increase of goods consumed by the people, but in meeting the needs and being more convenient and easy to use. In a word, we should lead the consumption of the masses in an economically rational direction.

Third, our consumption should be advantageous to the full utilization of the natural resources. The material resources of a country is limited, but includes both long-term and short-term resources. China's material resources are not remarkably abundant. These resources would be still less so if we calculate according to the average of 1 billion people. Therefore, in developing consumption, we should proceed from the actual situation of China's material resources and develop our strong points to offset the weaknesses. The development of the production of consumer goods, the changes in the consumption and production structure, and the satisfying of consumption needs should be advantageous to the development of the consumer goods which are produced from resources that are in ample supply and should be advantageous to the restriction of consumer goods which are produced from resources that are in short supply. Only in this way can we fully utilize and rationally exploit the natural resources, conserve the resources that are in short supply, reduce material consumption, and attain better economic results, and can we energetically develop the consumer goods which are produced from resources that are in ample supply, satisfy the needs of consumption, and promote the prosperity of economic life. For example, China's acreage under cultivation is limited and the average land per person is only 1.5 mu, which is 1,200-1,300 percent lower than the Soviet Union and the United States. Due to limited acreage under cultivation, it is impossible to greatly increase the sown area of cotton. Consequently, it is also impossible to greatly increase the output of cotton cloth. Therefore, we must vigorously increase the production and consumption of synthetic fiber. For example, China has a large population with a limited land area. As our grain is not abundant,

we cannot change 5 jin of grain for 1 jin of pork like that in the United States, but must fully utilize the vast expanse of grassland and mountainous area to develop herbivores and fully utilize the water area to develop fishery and solve the shortage of animal protein. In short, provided we proceed from the concrete conditions of China's natural resources and lead consumption toward the direction which rationally utilizes and develops the available resources and strives to conserve resources that are in short supply, we will certainly be able to make the best use of the resources and satisfy the needs of consumption.

Fourth, it is necessary to constantly develop new consumption fields. As the people's consumption needs are varied and constantly increasing, we should produce a great variety of consumer goods to meet their demands. We are resolutely against the bourgeois style of thinking and living, but by no means do we oppose the improvement of our consumption level. We advocate practicing economy, but this is not tantamount to asceticism and denial of personal desires. On the basis of developing production, we must stimulate and expand consumption. Only by improving the quality and increasing the variety of marketable consumer goods can we meet the increasing needs of the people. In addition, we must also open up new consumption fields, new trades, and new products. In the past, our consumption fields were limited and the consumer goods were not abundant enough. The purchasing power was usually concentrated on some main commodities concerning eating, dressing, and daily use, particularly some commodities which were in short supply but in great demand, thus aggravating the balance of supply and demand of commodities. If our consumption fields are expanded, consumption trades are increased, new consumer goods are constantly produced, consumption activities are more varied, and the choices are further widened, it will not likely be possible for the purchasing power to be concentrated on the main commodities of eating, dressing, and daily life, particularly on some commodities which are in short supply but in great demand. This is not only advantageous to the adjustment of the balance of supply and demand of commodities but is also advantageous to the satisfying of various needs. For example, labor service consumption is a consumption field which has great prospects. If science, culture, education, public health, physical culture, tourism, and other service undertakings are developed, the labor service consumption in this field will be greatly increased. Consequently, we can satisfy the material and cultural needs of the people and also promote their physical and mental health, promote the development of distribution, circulation, and production, promote the rationalization of consumption structure and industrial structure, and promote the proportional development of the national economy.

Fifth, it is also necessary to correctly guide the spare time consumption activities. Marx regards 'spare time as the "time for engaging in relatively high-grade activities," "the time for fully developing oneself," and the time "for developing sufficient productive force for the individual, thus creating vast scope for the society to develop a sufficient productive force." ("Collective Works of Marx and Engels," Vol 46, Book II, pp 225-226, 1980 edition, People's Publishing House) The free time of every laborer will gradually increase along with the development of production and the upgrading

of the labor productivity. Every laborer carries out some consumption activities during his spare time. At present, most of the spare time of the majority of laborers is used in housework. Along with the socialization of housework, the time for laborers to do housework will be gradually reduced. It is a matter of great importance to fully utilize spare time to carry out some consumption activities which can develop the mental and physical power of the laborers and improve their political quality. It is also an important matter to enable the laborers to engage in scientific, cultural, artistic, physical, and other beneficial activities during their spare time. In sum, how we, during our spare time, uphold the socialist consumption viewpoint, prevent and oppose the corrosive influence of feudal remnants and bourgeois ideology, and actively carry out various consumption activities which are good for our mental and physical health so that we can learn scientific and cultural knowledge, further develop science and culture, and create a vast scope for fully developing social productive forces are problems which call for serious study and which need guidance.

In short, giving correct guidance to consumption is not only advantageous to the improvement of consumption level, the establishment of a rational consumption structure, and the setting up of the rational industrial structure and department structure, but is also advantageous to the constant improvement of the quality of labor force, the promoting of mental and physical health, and the all-round development of the people. It is not only favorable to the promotion of socialist material civilization, but is also favorable to the building of socialist spiritual civilization, and thereby, is an important matter in social economic life which calls for special attention.

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ECONOMIC MANAGEMENT

PRC OFFICIAL ON SUMMING UP MANAGEMENT EXPERIENCE

HK081044 Wuhan HUBEI RIBAO in Chinese 1 Mar 84 p 3

[Article by Yuan Baohua: "Conscientiously Sum Up the Experience of Enterprise Management in China"]

[Text] Editor's note: This article is a preface written by Comrade Yuan Baohua, deputy minister of the State Economic Commission and president of the Chinese Association for Enterprise Management, for the book "Modernization of Enterprise Management," which is to be published by the Hubei People's Publishing House. It is our hope that all managing personnel of industrial and commercial enterprises will join us in summing up the experience in enterprise management bit by bit on the principle of combining theory with practice so as to enhance enterprise management in our province to a modern level, and the publishing of Comrade Yuan Baohua's article here is the first step toward this purpose. [end editor's note]

In the opening speech at the 12th CPC National Congress, Comrade Deng Xiaoping pointed out: We should take our own road and build socialism with Chinese characteristics. This is a Marxist thesis of far-reaching significance and a guiding principle for our country's socialist modernization adopted by the party congress.

In order to build socialism with Chinese characteristics, it is necessary to integrate the universal truth of Marxism with China's specific conditions and to apply advanced foreign experiences to our country in light of our conditions and thus creatively develop these experiences in the political, economic, and cultural fields, in the national economic management system, and in the building of material and spiritual civilization. Among others, our task is to explore feasible ways to modernize China's socialist enterprise management.

Our socialist enterprise management system has been developed step by step since the founding of the socialist system; yet, so far, we have not had sufficient experience in this respect. However, capitalist enterprises in other countries have accumulated management experience for hundreds of years. Therefore, we should earnestly study the enterprise management methods and experiences of fraternal socialist countries and developed capitalist countries and take them as reference. There should be no doubt on this point. Comrade

Mao Zedong said: "Enterprises in industrial, developed countries can attain high efficiency and productivity with less people and they are good at doing business. We should emulate all their strong points while adhering to our principles so as to improve our work." The purpose of studying and introducing advanced experiences is to apply it to our work so as to better manage our socialist enterprises. Therefore, while studying and introducing advanced foreign enterprise management methods and experiences, we should also systematically sum up our own experience in this regard and, through thinking and comparison, set up a range of enterprise management theories and methods which are suited to China's specific conditions. This is essential for our socialist modernization construction.

In recent years, some experts, scholars, and enterprise management personnel in our country have studied and introduced quite a few advanced foreign enterprise management theories and methods. This is certainly necessary. Henceforth, we should continue to do so. However, we should follow the principle of "combining other nations' experiences with ours and emulating others' strong points to establish our own system which is unique and is based mainly on our own experience." This means that we should really digest what we have introduced from abroad and must not copy foreign things in a mechanical way. At the same time, we must never forget that ours are socialist enterprises and that the conditions and circumstances for their existence and development as well as their business orientation are totally different from those for the capitalist enterprises. In addition, our enterprise management work begun as early as the years when we built our revolutionary bases. On the top of that, we have accumulated many positive and negative experiences in the 30 years and more since the founding of the People's Republic. Therefore, when studying the theories and methods of modernizing enterprise management, we should place stress on studying and summing up domestic experiences in this regard in a serious and systematic way.

The Hubei Provincial Association for Enterprise Management and the Economic Research Institute of the Hubei Provincial Academy of Social Sciences have organized some comrades in institutions of higher learning and research institutes in the province to make an investigation and study in the No. 2 automobile plant in an attempt to initially explore ways to modernize China's enterprise management through summing up the automobile plant's advanced management experience. The orientation of such an effort is correct. Since the 3d Plenary Session of the 11th CPC Central Committee, the No. 2 automobile plant has vigorously improved its management and was rated as one of the advanced enterprises in management in the nation by the Chinese Association for Enterprise Management for 3 consecutive years from 1980 to 1982. At the national industrial and transport work conference in August 1983, the No. 2 automobile plant was once again reputed as an outstanding enterprise which could promptly adapt itself to the new situation and successfully surmount difficulties. It was named one of the 11 best enterprises in the country, which had high enterprise capacity, achieved good economic results, and made great contributions. The No. 2 automobile plant's experience in enterprise management is indeed worth studying and summing up. Of course, this plant's management still needs to be further improved and perfected.

We should treat the plant's experience with a dialectic viewpoint and look at it with an eye on the course of its development.

In addition, many other enterprises in our country have also gained experience in exercising efficient management. The Chinese Association for Enterprise Management plans to study and sum up their experiences within a few years and then compile and publish a set of books on China's enterprise management. This book, "Modernization of Enterprise Management," compiled by comrades in Hubei Province can be considered a component of our research and publishing program. It is our hope that comrades of all local associations for enterprise management will join us in the national association in making continuous efforts to sum up our country's experience in enterprise management under the guidance of the principles set forth by the 12th CPC National Congress so as to set up a range of Chinese-style methods of modern enterprise management.

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ECONOMIC MANAGEMENT

REGULATIONS ON RURAL PRIVATE INDUSTRY, TRADE

OW091411 Beijing Domestic Service in Mandarin 0400 GMT 6 Mar 84

[Text] The State Council recently promulgated the regulations governing individual industry and commerce in rural areas. The regulations will play a positive role in developing individual industry and commerce in rural areas, promoting commodity production there, stimulating exchanges of materials between urban and rural areas, and putting surplus rural manpower to multiple use.

The regulations point out: The state encourages surplus rural personnel to engage in professions and trades urgently needed in society. The state permits individual rural craftsmen and traders to set up vender's stands in towns, provided they give up their grain ration. They may open stores there, if they have the necessary conditions and have obtained the approval of the local administration of industry and commerce. However, they are not permitted to set up stands or open stores on cropland.

The regulations point out: In general, the individual rural craftsmen and traders are one-man or one-family operations. With the approval of county or city administrations of industry and commerce, they may hire one or two assistants, if necessary. If their trades are highly technical, or require special skills, they may have two to five apprentices.

The regulations also point out: The individual rural craftsmen and traders should follow the policy of the state and obey the law. They are not permitted to violate the state procurement plan, damage the mineral resources of the country, evade taxes, cheat customers, monopolize markets, drive up prices, sell goods at short weight, adulterate produce to cheat customers, sell food which is banned from production by the government, buy and sell coupons, or use coupons to barter for commodities. They are not permitted to forge, lease, alter, or transfer possession of the business license, or engage in other illegal activities. Those who violate these regulations will be dealt with by the department in charge, according to relevant state regulations. Those who commit crimes will face criminal charges brought against them by the judicial organs.

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ECONOMIC MANAGEMENT

JINGJI RIBAO ON DEVELOPING RURAL INDUSTRIES

HK071320 Beijing JINGJI RIBAO in Chinese 28 Feb 84 p 1

[Editorial: "Commune- and Brigade-Run Enterprises Are a Major Force in National Economic Development"]

[Text] Developing rural industries is an important aspect of rural economic development. In recent years, commune- and brigade-run enterprises (including cooperative enterprises in the countryside and enterprises located in small towns) have developed rapidly in all parts of the country. In 1983, the total income gained by these enterprises throughout the country reached 85 billion yuan, an increase of 97 percent over that in 1978. This year's central document No. 1 once again stressed the importance of commune and brigade enterprises and pointed out: "The fodder processing, food processing, building materials, and small energy industries emerging recently in the countryside are now most urgently needed by society and are able to develop rapidly, so priority should be given to their development in a planned way." This is an important task in our rural economic work at present, and must be placed in an important position on our routine work agenda.

In order to further develop commune- and brigade-run enterprise, especially industrial enterprises, it is first necessary to unify people's understanding. Over the past 20 years and more, commune- and brigade-run enterprises have undergone many twists and turns. One of the main reasons for this was that people did not fully understand the importance and necessity of these enterprises. Some comrades only regarded these enterprises as sideline industries supplementary to agriculture and failed to realize their importance from a more far-reaching point of view. Other comrades took the running of these enterprises as a stopgap economic measure and thought that they were allowed to develop only when they were needed and they would be restricted and weakened once they were no longer needed. Still other comrades feared that commune- and brigade-run enterprises might cause the problem of blind development and overlapping construction and thus result in waste, so they had many misgivings on this issue. All the above-mentioned thinking and practices are not conducive to the development of commune- and brigade-run industries, so we must unify people's understanding in accordance with the party's principles and policies.

Comrade Deng Xiaoping has said that there are three major criteria to judge our work: 1) Whether it is conducive to the building of socialism with Chinese characteristics; 2) whether it can make our country become rich and strong rapidly; and 3) whether it can make the people become rich rapidly. The third point is the most important and most crucial criterion. In our opinion, these criteria are also suitable for us to judge whether commune- and brigade-run enterprises should be encouraged to develop further.

Facts in recent years show that the development of commune- and brigade-run enterprises are in conformity with the above criteria.

Under the situation in which the state economy had not been fundamentally turned for the better and the state could not provide sufficient financial support, commune- and brigade-run industries still continued to grow at an average annual rate of 13 percent in the 5 years after the 3d Plenary Session of the 11th CPC Central Committee. Productivity of these industries is twice or even triple that in agriculture. The output of some products produced by these industries has attained a considerable proportion of the national total output. For example, the output of coal produced by commune- and brigade-run enterprises accounts for one-fifth of the national output; that of sulphur and phosphate fertilizer accounts for one-third; and that of bricks account for two-thirds. The fact that commune- and brigade-run industries can grow so rapidly in difficult conditions and can outpace the average growth rate of the national economy as a whole fully proves the strong and unique vitality of these industries and shows that they are by no means a stopgap economy but an indispensable supplement to the large-scale industries run by the state. Rural industries run by communes and brigades can make full use of local natural resources, produce various goods to meet market demands, and provide raw materials, semifinished goods, and spare parts for large-scale industries. They can thus play a role of making up for omissions and deficiencies and promoting the development of large-scale state industries on reciprocal terms. They have become an important force in national economic development.

Now, let us look at the role of commune- and brigade-run industries in promoting agriculture. In the 4 years between 1979 and 1982, commune- and brigade-run enterprises gained a total profit of 45 billion yuan. After they plowed back a certain amount to expand their capital investment, paid a certain amount of taxes to the state, and used a certain amount to develop public welfare, these enterprises contributed a total of 8 billion yuan to finance agricultural capital construction. This amounted to 88.3 percent of the state's investment in agricultural capital construction in the same period. In 1982, 16 percent of the income earned by peasants throughout the country came from the profits gained by commune- and brigade-run enterprises. According to rough statistics, as of now, some 30 million peasants, or one-tenth of the total rural work force, are engaged in industrial and sideline production in rural enterprises run by communes or brigades. Commune- and brigade-run industries are based on the development of agriculture and in turn give strong economic support to agriculture and effectively promote the further development of agriculture. Moreover, these industries can also

change the backward situation in which "the nation has to be fed by 800 million peasants." They can open up a broad scope for the large number of "surplus labor" emerging after the development of agricultural productivity and create more jobs for people in the countryside. Then, many rural residents can part from farm work while not having to leave their home villages, and can work in a factory while not having to enter the cities. They can create more wealth for their home villages and display their capability. In this way, peasants will be able to become well-off together at a quicker pace, and favorable conditions will be more easily created for improving our country's population and industry distribution.

Facts show that along with the development of division of labor in the countryside, more and more people will leave farm work and turn to small industries and service trades. This is a demonstration of social progress which is inevitable in the course of history. Comprehensive development is an objective law in agriculture. One will incur punishment if he violates this law.

Our general principle toward commune- and brigade-run enterprises is to correctly support, guide, and manage them so as to ensure their healthy development. We should acknowledge that as compared with large and intermediate-scale enterprises run by the state, these commune- and brigade-run enterprises still have many deficiencies. For example, their equipment is relatively simple and crude; their technology is less advanced; their access to information is not quick enough; and their production is apt to go on in a blind way. Admittedly, a small number of enterprises run by communes or brigades are not properly managed and have given rise to such problems as conducting overlapping construction, vying for raw materials with key enterprises, and overproducing some goods. Therefore, some comrades' worries are not completely groundless. However, so long as we strengthen planned management over these enterprises and rationalize their distribution, it is not difficult to solve these problems. We should make elaborate studies and investigations and decide on the contents and orientation of the diversified economy in light of the local geographic environment, natural resources, market demands, and their reasonable economic relationship with urban areas so as to ensure the conditions for the existence and development of the rural industries, to make them increasingly flourish, and to bring their positive role in the development of the national economy as a whole into full play.

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ECONOMIC MANAGEMENT

REDUCE CONSUMPTION OF MECHANICAL LABOR

HK130756 Beijing RENMIN RIBAO in Chinese 2 Mar 84 p 5

[Article by Zong Han [1350 1383]: "Decreasing the Consumption of Mechanical Labor"]

[Text] The Important Realistic Significance of Decreasing the Consumption of Mechanical Labor

The economic results of industrial production generally refer to the ratio between social labor consumed and effective product provided for society. With identical products being produced, if the amount of social labor being consumed is relatively low, this illustrates high economic results, while the contrary implies low economic results. If the quantity of labor consumed exceeds the amount of labor provided by society, then losses will be incurred and this implies negative results. In developing socialist production we should strive to ensure that the social labor consumed is correspondingly less while the kinds and quantity of products provided for the state and the people are as many as possible and as good as possible.

The proportion that consumed mechanical labor represents in the production cost of products in industry is much higher than wages in absolute terms. Let us take 1982 as an example. Consumption of mechanical labor in money terms represented more than 70 percent of the production cost of industrial products, and more than 80 percent of production costs in light industrial products, (during the same year material consumption made up 67.5 percent of total industrial production value and 71.1 percent of total light industrial production value). The absolute figures for the consumption of mechanical labor are twice those of consumption of live labor and several times higher than expenditure on wages. The consumption of effective mechanical labor forms use value and value of products but does not create new value. There is a direct ratio between it and the production value of a product and when total production value is set, there is a reverse ratio between it and the national revenue. In other words, within a certain period of time the amount of the national revenue mainly depends on the consumption of mechanical labor and the speed of increase in production. If total industrial production value does not change and the amount of mechanical labor consumed in the process of production falls, then the national revenue will increase. If the reverse occurs, then the national revenue will fall. The percentage

that mechanical consumption represents in the production cost of a product influences the national revenue, and changes in the structure and content of mechanical consumption also influence the national revenue. Hence reducing the unit product consumption of mechanical labor and attempting to produce as many products as possible with as little mechanical labor as possible is extremely important and significant in increasing the national revenue and amassing more funds for the four modernizations.

Looking at use value, the consumption of mechanical labor directly affects the actual amount of wealth possessed by society and the speed of increase. Mechanical labor, as a form of labor transferred during the process of production, can be found in a number of different conditions during the process of transferral. One is when transferral is fairly ordered and rational, and unit product consumption is quite small and the results of production are quite effective. Another is when consumption is visibly less while the quality of products is clearly better. Another is when consumption increases and quality drops. The latter two instances correspond with the developmental requirements of socialist industrial production. This is especially true of the second of the three where fairly low unit product consumption produces large numbers of good products. Although the total amount of mechanical labor consumed by society has not changed, the actual wealth possessed by society increases. The third instance implies that social wealth has been directly damaged. We must make every effort to avoid this kind of situation.

Material consumption in industrial enterprises is not merely a question for enterprises, it touches on a whole series of industrial enterprises and some sectors outside industry, as well as macroeconomic planning and ratios. When consumption of mechanical labor in an enterprise is high it will lead to abnormally large amounts of social labor being used up in the raw materials industry, fuel and power industries, communications and transportation industries, service industries, and a whole series of enterprises and industries. This will create many additional difficulties for all these sectors. When consumption in the enterprise drops, the social labor used up in related industries and sectors will also fall and thus the same amount of social labor will be able to provide more wealth for society and ratios throughout the entire national economy will become more healthy and coordinated.

At present our country is struggling to achieve the glorious targets outlined at the 12th CPC National Congress. The realization of the four modernizations requires large amounts of funds and also large amounts of production materials. However, both funds and material resources are insufficient. If the consumption of unit product mechanical labor remains at the present level, there must be a quadrupling of the quantity of basic means of production in order for us to achieve a quadrupling of total annual industrial production value by the end of the century. However, judging from the present situation in industrial production and developmental possibilities, by the year 2,000, some things can be quadrupled, some can be more than quadrupled, while some cannot be quadrupled. Take for example energy resources. By the end of this century, we will only be able to reach around 1.2 billion tons, and this is only double our present amount. In other words, if the level of unit energy

consumption for all kinds of products does not change, the amount of energy supplies will fall short by around one half. There are some other means of production which are in similar situations. One of the ways of solving this problem is to increase production and satisfy demand. Another more active and more effective method is to practice strict economy and to decrease the consumption of mechanical labor.

There are some means of production which are not at all in short supply. Does this mean that we need not worry about economizing? We must still take care to economize. We are constructing the four modernizations and improving the people's living standards and we require large quantities of means of production and means of subsistence. At present, we do not have very many things and we are very short of many things. Our short-term target is quadrupling but we are by no means limited to quadrupling. For those things which are needed and which can be increased, we should try to ensure increased production. At the same time, many means of production have a certain similarity or interchangeability and here economization can be stressed so they can be used in other places. In actual fact there are some means of production which we do not need in large amounts and in these cases we can still reduce or even stop production and use the manpower and material resources thus saved for other areas of society which have more important needs.

There is a close relationship between reducing the consumption of mechanical labor and technological advances. Practice proves: All major technological advances can lead to drops in the consumption of unit product mechanical labor and drops in the consumption of mechanical labor will inevitably promote further technological advances. Whatever kind of business one tackles this way, technological advances in that area will speed up; whatever link one tackles this way, technological advances in that link will speed up. If one does not tackle things this way, then production technology will come to a standstill and there will be no drops in the consumption of mechanical labor.

Decreasing the consumption of mechanical labor is also extremely important in improving the quality of enterprises. In the past, some of our enterprises depended to a very great extent on low-priced raw materials and fuels and low wages in order to maintain production. A large proportion of the income they gained depended on the transferral of value of agricultural raw materials and products from the raw materials industry. This situation concealed the backward nature of high consumption in enterprises. Today, when the prices of agricultural raw materials and some industrial raw materials rise, production costs in many enterprises increase and in some cases this even leads to losses and exposes the problem of the quality of enterprises. Problems should be solved where they appear. Correct solutions to these problems will promote gradual improvements in the quality of enterprises and even better development of reforms in the system as well as encouraging industrial enterprises' production and management. This will correctly position them on the road toward increasing economic results.

Decrease Consumption of Mechanical Labor in Three Aspects

How can we reduce consumption of mechanical labor? The important thing is to ensure that people understand the urgency and importance of solving this problem, that we clarify the relationship between reducing consumption or unit product mechanical labor and improving economic results and achieving the glorious targets of the 12th CPC National Congress, and that we get rid of such erroneous ideas as "it is okay to use a little more" and "high consumption is high consumption and we can do nothing about it." We should ensure that reducing consumption becomes a decisive measure in increasing economic results. As far as increasing people's understanding is concerned we should carry out concrete work in accordance with the principles outlined in the 12th CPC National Congress and the First Plenary Session of the Sixth NPC. In this present period we must concentrate on work in three areas:

1. Focus on reducing consumption of mechanical labor by getting to grips with technological transformations.

There are many factors which influence the consumption of mechanical labor and one of the key ones is the technological structure of production and the level of production technology. When the technological structure is rational, and advanced means of production and production technology exist, the level of unit product consumption is generally fairly low; if the opposite is the case the level is high. Although mechanical labor consumed in the production process as a percentage of total labor always tends to increase along with changes in the structure of industrial production, the more advanced that technology is, the more the absolute amount of mechanical labor consumed in unit products will drop. This is an objective law of the development of industrial production. In order to fundamentally solve the problem of high consumption, we must get to grips with technological advances and technological transformations.

In industrial production the focal point of technological advances is improving backward means of labor. At present, unit product consumption of mechanical labor is high in most of China's industrial enterprises and the main reason for this is the backward means of labor. For example at present, China has 12,000-kilowatt medium- and low-pressure mechanical units, the equipment is old and utilization time is low, so losses are serious. Each year this set of equipment generates 65 billion kilowatt-hours of electricity and consumes 40 million tons of coal. Generating capacity represents 25.7 percent of all combustion electricity but coal consumption represents 45.2 percent of all coal consumption for all combustion electricity. If these sets were replaced with 200,000-kilowatt sets, then 14 million tons of coal could be saved every year. In the short term, if half of the sets were replaced with new sets there could be savings of 6.8 million tons of coal and increased electricity generation of more than 15 billion kilowatt-hours. Newly constructed sets require investments but the mining of coal also requires investments. While investment in newly constructed sets are of a one-shot nature, the savings are of a long-term nature. The money spent on renovating equipment can be recouped in several years by the savings made

in consumption of mechanical labor. In some cases, improvements in the means of labor also require some money. Sometimes it is only necessary to carry out partial renovation and gradual renovation; in these cases little money is spent, indeed sometimes no money at all is required for renovations. These kinds of examples are nothing new in all kinds of businesses and enterprises. We must make use of both total renovation and partial renovation as well as fundamental improvements and minor improvements. Whenever conditions are right for changes, changes should take place and the most pressing and important items should be changed first of all.

To reduce consumption of mechanical labor we must get to grips with changing the targets of labor. The consumption by the targets of labor mainly implies the consumption of raw materials, supplementary materials, fuels, and motive force. Normally they make up more than 90 percent of production costs. In the production of many light and heavy industrial products, raw materials alone make up between 70 and 80 percent of production costs. In order to economize on the targets of labor we must on the one hand make more effective use of existing materials and on the other hand we must constantly improve technology and provide more raw materials and fuels with high standards of suitability. The consumption of mechanical labor in industrial production is closely connected with the quality, suitability, and timely supply of products to industries. If the products are low priced and of good quality, if technology is advanced, if the industrial structure is rational, and if supplies are on time, then consumption is low.

2. Focus on economizing on mechanical labor by getting to grips with enterprise management and enterprise consolidation.

From the angle of economizing on mechanical labor and improving standards of enterprise management, it is very important to establish a set of feasible and practicable systems and regulations defining responsibilities, rights, and duties in accordance with the principles of socialist enterprise management and the demands of socialized large-scale production development. Regardless of the size of industrial enterprises, they all have several levels and links and there are close ties between them as they mutually influence each other. Each link and each level is closely connected to the consumption of mechanical labor and results of utilization and all of them can influence and affect the amount of labor consumed. If a healthy and strict system of rules and clearly defined responsibilities exists, then consumption is low. If management is carried out unsystematically then consumption is bound to be high. Over the last few years, during the process of readjustment and reforms some of China's enterprises, systems of production responsibility with coordinated duties, rights, and interests have been implemented. In efforts to save on mechanical labor, duties, rights, and interests have been given and defined for enterprises, work shops, work groups, and individual. Also, advanced quotas and consumption targets have been set, levels have been separated out and each work shop, machine, job, and individual has been treated separately, with strict checks and a system of rewards and penalties. The results have been very good. Recently, in order to solve the problem of making up deficits and increasing surpluses, some

regions have taken a close look at some enterprises with high consumption and losses and they have outlined deadlines and standards for reducing consumption and making profits out of deficits. Those enterprises which are unable to do so have their bonuses deducted, or electricity or raw materials supplies stopped, or production halted or reorganized. This has encouraged reduction in consumption. All these things are worth mentioning. The aim of production in socialist enterprises is to provide as many products as possible of good quality for the people and society with consumption of as little mechanical and human labor as possible. This is also the aim of reorganization. If the quality of an enterprise is high and reorganization is well done then consumption should drop. If a long time is spent reorganizing and losses still continue then there will be no reduction of high consumption and this is the same as not having reorganized at all.

There is a very important relation between the standard of enterprise management and consumption of mechanical labor. For example, it may appear that such things as the direction of enterprise production, the outlining of concrete production plans, reactions to market information, investigations and research into the sources of raw materials, supplies, marketing, advertising, product sales, and shipping are unrelated to the consumption of mechanical labor. However, in actual fact, there is an important relationship between them. The mishandling of any one of these links will affect the results of production and thus will inevitably influence the consumption of mechanical labor and sometimes will create decisive effects. Today, some enterprises are beginning to take a careful look at this question. But some are only looking at the level of consumption in their own enterprise and the amount of money earned, and they are not looking at, and handling it with a view to improving social economic results.

3. Focus on economizing labor consumption by continuing to readjust the structure of the national economy.

The ratios and structure of the national economy represent an important and decisive factor for the consumption of mechanical labor. Rational consumption requires as a premise rational economic structure and ratios. For example, when there are dislocations, when structure is irrational, when things that should be there are lacking and when there is an oversupply of certain things which should not be there, there will inevitably be a great deal of loss and wastage of mechanical labor in society. This kind of wastage is often very serious. After several years of readjustment the basic ratios of China's national economy, including the ratios between heavy and light industry have gradually been coordinated and this has created very good conditions for economizing in enterprises. However there are still some weak links which need strengthening within the national economy; problems still exist within departmental structure, enterprise structure, technological structure, and regional structure. All of these things require a good deal of hard work in order to solve problems. The irrational structure of enterprises should receive particular attention. At present in China, high consumption of mechanical labor in some businesses is closely connected with the blind

development of small backward enterprises. Small enterprises are and always will be needed but duplicate and backward ones should be reorganized and readjusted while large and medium-sized enterprises must take the road to specialization and develop according to overall plans and ratios, otherwise it will not be possible to reduce consumption.

CSO: 4006/355

INDUSTRY

BRIEFS

LIAONING LARGE ENTERPRISES--Thanks to great efforts to change the managerial ideology and to improve the quality of enterprises, Liaoning Province's 33 large and medium-sized enterprises covered by the provincial local budget, which each delivered over 10 million yuan of profit and taxes to the state in 1983, have witnessed new progress in their economic results. In 1983, these enterprises achieved a total of 9.86 billion yuan in output value, an increase of 6.08 percent over the previous year, and delivered 3.02 billion yuan of profit and taxes, an increase of 1.4 percent. [Summary] [Shenyang LIAONING RIBAO in Chinese 21 Feb 84 p 1 SK]

HUBEI STEEL PRODUCTION--Wuhan, 28 Feb (XINHUA)--Since the Wuhan Iron and Steel Complex in Hubei imported 1.7-meter steel rolling machines from abroad 5 years ago, it has made great technological progress. As the end of 1983, the complex had produced 5.7 million tons of heat-rolled steel plates, 1.97 million tons of cold-rolled thin plates and 110,000 tons of silicon steel, all of which would have had to be imported from abroad in the past. Over \$1 billion worth of foreign exchange has been saved as a result. [Summary] [OW120109 Beijing XINHUA Domestic Service in Chinese 0104 GMT 28 Feb 84 OW]

YUNNAN INDUSTRIAL PRODUCTION INCREASES--Industrial production in Yunnan Province in January and February steadily increased. The gross industrial output value in the 2 months was some 1.5 billion yuan, an increase of 12.4 percent over the same period last year. Electricity output in the 2 months was 29.8 percent more than in the corresponding period last year. Output of raw coal was 2.7 percent up. Heavy industrial output recorded an increase of 25.9 percent over the same period last year. Light industrial output recorded an increase of 2.2 percent. Output of chemical fertilizers and hand-held tractors recorded an increase of over 28 percent. Output of consumer goods, cigarettes, bulbs, detergents, and television sets also increased. [Summary] [HK150253 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 8 Mar 84 HK]

SICHUAN NO. 2 LIGHT INDUSTRY--The output value of Sichuan Province's No. 2 light industrial departments and affiliated organizations by the end of February was some 510 million yuan, an increase of 11.9 percent over the same period last year. No. 2 light industrial departments and affiliated organizations in the province had made profits of some 30 million yuan by the end of February, an increase of 25.8 percent over the corresponding period last year. [Summary] [HK091552 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 8 Mar 84 HK]

CSO: 4006/355

DOMESTIC TRADE

NINGXIA ENCOURAGES SMALL PROFITS, QUICK TURNOVER

Yinchuan NINGXIA RIBAO in Chinese 26 Aug 83 p 3

[Article by Tian Huaqing [3944 0533 7230]: "Small Profits But Quick Turnover"]

[Text] The profit rate of commodity sales in socialist commerce is controlled by the state plan. The responsible commercial department of Ningxia Autonomous Region stipulates in its pricing plan that in retail sales, the profit rate for every 100 yuan worth of manufactured goods for daily use is about 4 yuan and that of the means of production for farm use is about 2.5 yuan. This small-profit policy has demonstrated the superiority of the socialist system.

However, the outcome of implementing such a policy is widely divergent from expectations. This year's quarterly financial report shows that some enterprises had deficits and some made little profit. However, the sales profit rate of the Xinhua department store in Yinchuan city was as high as more than 7 percent, which is not only considered outstanding in the region but also considered advanced among other large and medium-sized department stores throughout the country. What is the secret? Please read the following economic indicators: An average capital turnover takes 30 days; the cost for selling every 100 yuan worth of commodities is 2.18 yuan; and every 100 yuan of circulating funds creates 21.55 yuan of profits.

These indicators have proved this principle--under the condition that prices, personnel, funds and equipment are unchangeable, striving for large commodity sales can bring good economic results. Then, how can small profits but quick turnover be achieved? Judged from the experiences of the Xinhua department store and other well-managed commercial enterprises, we believe that the following measures should be taken:

First, it is necessary to adopt the idea that customers come first. A socialist commercial enterprise should never expect to gain profits by using such means as arbitrary price hikes. Instead, it should concentrate on gaining customers. The former is a stupid move leading enterprises to a deadend; the latter, a principle leading enterprises to prosperity. Operating in accordance with the socialist basic economic law, our socialist commercial enterprises gain rational profits only by expanding commodity sales to satisfy people's needs in the course of creating more value and use value.

Second, it is necessary to do a good job in market forecasting to become more competitive. The key to whether commercial enterprises can expand sales is in whether their commodities meet market needs. Under the circumstances of the coexistence of multiple circulating channels, multiple forms of management and multiple-factor commerce, competition is unavoidable. The substance of competition is an issue of market occupancy rate. China's markets are controlled mainly by the state plan. Under the given conditions of social commodity purchasing power and commercial enterprises' scale and structure, those who have low-priced, high-quality and readily marketable commodities would win over more customers and secure a higher market occupancy rate. Those who do not have such commodities would find themselves in a disadvantageous position. As far as some enterprises with relatively poor economic results are concerned, the slow turnover and expanded stock of commodities are the crux of their problems, which are caused precisely by the inadequacy in investigation and study of market needs and blindness in stocking goods. If the sources of commodities are not recognized by markets and no customers are interested in them, the expenditures will increase relatively and the economic results will be out of the question.

Third, it is necessary to pay attention to salesmanship. The managerial personnel of enterprises should make the most of all kinds of information to economically and rationally purchase commodities and seize favorable opportunities to supply and present their commodities in the best forms. It is necessary to protect and maintain a good commercial reputation, guarantee fair deals and be honest in dealing with all customers. Employees should strive to improve service quality and service manners, learn to treat customers politely and do business in a civilized manner. Beyond these, an elegant and refined sales environment, abundant and tasteful display of commodities and appropriate commercial advertisements all can give customers a good impression and arouse their buying desire.

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CSO: 4006/004

FOREIGN TRADE

UTILIZATION OF FOREIGN EXCHANGE ASSETS

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 12, 20 Dec 83 pp54-58, 53

[Article by Yang Zhihe [2799 1807 0735]: "The Issue of Utilizing Foreign Exchange Assets"]

[Text] The utilization of foreign exchange assets is an important means for China to use foreign capital to accelerate socialist economic construction and it also plays an important part in implementing the policy of opening to the outside. As to the degree and the consequences of foreign exchange asset utilization, its influence on importing technology and equipment, accelerating the technological renovation of our present enterprises, promoting development of industrial and agricultural enterprise production, and expanding foreign economic trade cannot be overlooked.

China's foreign exchange assets (exclusive of foreign exchange assets directly invested by foreign businesses) are primarily derived from foreign country loans to China and from foreign exchange income obtained from foreign trade operations. Foreign country loans to China primarily consist of three types: one is to borrow funds from foreign governments or from international banking organizations. From 1979 to 1982, China held talks with foreign governments and international banking organizations and obtained promises of loans totaling 7 billion US dollars. Up to now, 2.2 billion US dollars has actually been used.(1) Recently, the World Bank provided China with a loan of 2.4 billion US dollars.(2) The features of this loan are as follows: the loan is long term, low interest and with relatively favorable conditions. The interest rate averages about 5 percent and the period of repayment averages 20-30 years. The second type of loan is buyer credits extended by banks. Since 1977, the Bank of China has successively signed 19 buyer credit agreements with foreign banks and loan companies for loans and credits totaling 13.9 billion US dollars. However, only about 2.4 billion US dollars of this has actually been used, or a total of 3 percent of the all foreign funds utilized in China,(3) so the quantity is quite small. Although these buyer credits have low interest rates, they nonetheless

are limited to purchasing equipment or machinery from the loan country or there are stipulated uses for the funds, so there are relatively great restrictions. The third type is commercial cash loans borrowed through the Bank of China. Since 1979, the Bank of China has obtained commercial cash loans totaling about 75 percent of China's total usage of foreign capital,(4) a relatively large amount. The interest rates for commercial cash loans generally are relatively high, averaging an annual interest rate of 16 percent, so in comparison with the previous two types of loans it has relatively few advantages. However, they can be used rather freely with few restrictions, so they are relatively flexible. Generally speaking, China has used the above three methods to obtain no small amount of favorable loans from foreign countries, but the amount which actually has been utilized in economic activities is quite small. A considerable number of the loans have not yet been put into operation, so we have not fully reaped the economic benefits of these loan assets.

Existing alongside the method of borrowing from foreign countries is the method of obtaining foreign exchange income from export trade and developing the tourism industry to increase foreign exchange income. This can also be called the surplus method. This is expressed in the form of foreign exchange reserves. By the end of 1982, China's foreign exchange reserves had smashed the 10 billion US dollar mark and reached 11.125 billion US dollars, 1.3 fold of the amount at the end of 1981. In these figures, the major factor in breaking the 10 billion US dollar barrier in foreign exchange reserves was the greatly increased surplus of 4.6 billion US dollars of income from foreign trade. Although this level of foreign exchange surplus is quite low in comparison with advanced western nations, nonetheless, in comparison with the foreign exchange reserves of countries such as Indonesia, the Philippines and Egypt it is quite high.(5) This is no small accomplishment for China, which for a fairly long period of time has had a progressive decline of trade and inadequate foreign exchange funds. However, from another aspect, in view of China's foreign exchange utilization, a single month's imports are only about 1.2 to 2 billion US dollars,(6) not a very great amount. In contrast to the dramatic increase in foreign exchange reserves, the utilization ratio of foreign exchange assets is low. If we further add on the as yet not fully utilized foreign exchange loans from foreign governments, international banking organizations and foreign banks, then China's level of utilization of foreign exchange assets is even lower. On the surface, from the amount of our foreign exchange assets it would appear that our foreign exchange reserves are already "excessive," and that we would no longer need to make use of foreign loans.

Actually, doesn't China's supply of foreign exchange assets exceed the demand? Why has the phenomenon of excess foreign exchange occurred? According to common practice, capitalist nations struggling in the midst of world economic crises have stagnant production,

reduced trade, and "excess" capital and commodities, so they desperately search for a way out, while our economy is in a stage of flourishing development with annual increases in production and a dramatically increased need for capital. This is a great opportunity to use capitalist funds to import capitalist technology and equipment to accelerate economic development, so how would we not be able to use foreign exchange assets?

Even if we do import foreign capital to accelerate the history of economic development, China will be unable to make timely, effective use of foreign exchange assets primarily because the actual work even today still has not been able to escape the fetters of "left" ideology. The ideology of closing the country to international intercourse and being stuck in a rut in all manner of ways affects everyone's actions, and is expressed in the following:

1. No small number of our actual workers even today are emotionally unable to accept the idea of "foreign capital," they fear to have contacts with foreign business and fear that foreign businessmen will profit from them (there is an unwillingness even to pay legal profits) still controls their actions. They are accustomed to the old habits of "not assuming foreign debts and not assuming domestic debts," are deathly afraid that using foreign capital will increase foreign indebtedness, and lack the courage to boldly utilize foreign funds. These ideas are reflected in national planning and policy in that to date there still is no formulation of a complete plan for using large amounts of foreign exchange assets and also is reflected in that a complete policy for encouraging enterprises to make full use of foreign capital has not been formulated. The work of importing and utilizing foreign capital can only be done in bits and pieces and unified arrangements cannot be made.

2. Many people fear that using foreign exchange loans will add to the state's foreign debt burden and they are unable to see that foreign exchange loans can play a beneficial active role in building the four modernizations. The method of foreign exchange loans does not receive the equal treatment without discrimination that is accorded to correct methods of importing foreign capital, such as joint capitalization, joint management and compensatory trade. People generally view joint capitalization, joint management and compensatory trade as not directly assuming risks or as not individually assuming risks, yet it is also possible to use the method of direct capitalization to directly produce products for export and sell commodities at the international marketplace prices and obtain relatively greater profits. In slighting the foreign exchange loan method it seems that we ourselves are assuming a relatively great risk and are primarily relying on our own methods of loan management. The units that utilize Bank of China loans can only sell products to the foreign trade corporations or on the domestic marketplaces, the selling price is not according to international marketplace prices but rather according to the domestic

plan prices. Moreover, it is necessary to use foreign exchange to repay the loan or convert Renminbi into foreign exchange to repay the loan, so the level of benefit is greatly lower than the joint management enterprises of the compensatory trade enterprises. This dampens the enthusiasm of the production enterprises not engaging in foreign trade export to utilize foreign exchange loans.

3. In terms of interest rates, the concerned departments give relatively preferential treatment only to the joint management enterprises and the compensatory trade enterprises, while the domestic enterprises that utilize foreign exchange loans are viewed in a different manner. The former can obtain tax exemptions for import and export commodities while the latter does not receive such preferences. In the area of foreign exchange loan interest rates, they have not formulated favorable interest rates to stimulate enterprise loans but have issued loans according to the commonly used international interest rates, with annual interest as high as 15-18 percent, which causes the enterprises to look on in dismay.

What is referred to as the supply exceeding demand in foreign exchange assets, in terms of the restrictions of the old patterns of behavior described above, actually is a false appearance created by the incomplete utilization of foreign exchange assets.

Of course, the limitations of the number of objective conditions also are major factors in the inability to fully utilize foreign exchange assets. An example is inadequate domestic support capital. There are several reasons why support capital is insufficient, one is limited accumulation of state capital and the need to guarantee important construction projects, so that from the overall point of view there is a domestic shortage of capital. A second reason is that bank deposit funds have weak planning, capital management is chaotic and the withdrawal of funds is slow, which leads to an imbalance in bank deposit funds. The third reason is limited funds for enterprise renovation and transformation so that funds cannot be earmarked for special use and are constantly diverted to other applications. The fourth is that a number of enterprises prior to taking out a loan do not perform feasibility research, they blindly take out loans, blindly make imports and they have a poor record in completing renovation projects, which uses up a large percentage of the available capital. A plant in the Guangzhou area that produces imitation leather conducted market research and discovered that PV imitation leather sells well on the domestic marketplace and therefore used the compensatory trade method to borrow 5 million US dollars of foreign exchange from the Bank of China to import a foreign PV imitation leather production line and also borrowed another 8 million Renminbi from the People's Bank for support capital. However, because they did not carry out a prior feasibility research, after importing the items and going into production, because of a lack of fuel supplies (a lack of steam) production could not be

conducted on a regular basis. They used only 30 percent of the production line capacity. Even though the products they manufactured were still able to be sold domestically, the profits they created only amounted to 200,000 yuan, which would only repay one half of the interest on the bank loan. Even sadder is that this factory believed that PV products would be in great demand so in order to prevent foreign factories from competing with them by importing similar equipment and producing similar products they unexpectedly signed two import contracts for similar production lines. This degree of blindness is dumbfounding.

In addition, a low level of enterprise management, low production efficiency and an inferior ability to repay also are objective factors which limit the utilization of foreign exchange assets.

In summing up the above analysis, we see that enabling foreign exchange assets to be fully utilized does not depend on an ideological understanding of the elimination of the influences of "leftist" tendencies or in opposing pure reliance on foreign strength, it does not depend on the concrete methods of smashing and eliminating old habits and old customs; it does not depend on strengthening the management of capital. It is difficult to take vigorous strides in improving the economic efficiency of foreign exchange asset utilization and in utilizing foreign exchange assets. Therefore, we must carry out reforms and improvements in some of our current ways of utilizing foreign exchange assets, discard what is old and produce something new and create a new situation in the use of foreign exchange assets to accelerate the progress of the four modernizations.

I. It Is Mandatory to Liberate Our Ideology, Discard the Old Concepts of Self-Reliance and Closing the Country to International Intercourse, Strengthen the Policy of Opening to the Outside and Actively, Bravely and Effectively Utilize Foreign Exchange Assets. At the Fourth Session of the Fifth National People's Congress, Premier Zhao Ziyang pointed out: "In economic work, we ought to discard the self-reliance of the natural economy point of view. All ideology and actions of sticking to conventions and closing the country to international intercourse are mistaken, and all pure reliance on foreign strength and superstitions regarding foreign ideology and actions also are all mistaken." From a foundation of unified ideological understanding, the overall state plan must formulate a mid term and long term plan for utilization of foreign capital, must include the utilization of foreign exchange assets in the state plan and moreover must take organized, planned gradual steps. At the same time, the series of policies the state formulates to utilize foreign capital must benefit foreign capital utilization and must benefit the positivism of enterprise improvement of the utilization of foreign capital assets to carry out technological transformation and must be able to encourage the qualified enterprises under the guidance of the state plan to

fully utilize foreign exchange assets to accelerate economic development. Tax revenue policy and banking policy must give the green light to utilizing foreign exchange assets.

In terms of the present, the unification of ideological understanding must clarify the issue of whether it is good or bad to have large foreign exchange asset reserves. At the same time, we should clear up a few misunderstandings concerning the utilization of foreign loans in order to improve positivism in making timely, effective utilization of our present foreign exchange assets.

It must be pointed out that when a country's foreign exchange reserves are too abundant, except for the advantage of being able to satisfy a possible period of need of foreign exchange assets for domestic economic construction, having excessive foreign exchange stores cannot achieve timely, effective utilization and can bring about a number of unfortunate consequences:

1. If the foreign exchange asset deposits are derived from foreign loans, then, in addition to the interest burden, non-use will be influenced by inflation of world currencies and result in losses due to currency devaluation.

2. If there is an attempt to deposit excessive foreign exchange holdings in foreign banks to collect interest to reduce losses, then, from the macro point of view on economic efficiency, it is not worthwhile. It is quite obvious that by doing so we will not incur losses, but it will cause loss of a golden opportunity to use foreign capital to import advanced technology and equipment and accelerate China's economic development. There are a number of socialist countries which in their use of foreign capital always take advantage of the economic crises of capitalism in order to accelerate their own economic development. From another point of view, if the foreign exchange assets deposited in foreign banks exceeds the amount of foreign indebtedness that we have assumed and if our international revenues and expenditures show a surplus and no deficit, then, according to the regulations of international currency fund organizations, China would then lose the right to obtain low interest loans from the international currency fund organizations. This would not be beneficial for our country's future long term utilization of favorable foreign loans.

3. If excess stores of foreign exchange assets are derived from import and export trade, there will be even greater unfortunate consequences resulting from not using these assets. Because the foreign exchange derived from import and export trade is no different from state use of Renminbi in making purchases from the export units, state purchase of a certain amount of foreign exchange assets will place into domestic circulation a corresponding amount of currency and commodities, and if this amount of foreign exchange income is left unused then the currency and commodities that the state uses to purchase foreign exchange will remain

outside our country and cannot be regained, which will influence supply and demand conditions in the domestic marketplace so that the price of goods might be inflated because of corresponding inadequate production and there will be a loss of balance in the state's financial administration revenues.

According to the Marxist theory of reproduction, if social reproduction is to be smoothly carried out these conditions must be satisfied: production of the means of production department products and production of the means of subsistence department products not only should be realized in the form of value but, more importantly, must also be realized in the form of the actual objects. China lacks adequate capital, and, fundamentally speaking, there is an inadequate supply of the means of production which is necessary in augmenting the domestic expansion of reproduction. The goal in the utilization of foreign assets is to utilize foreign exchange assets in the foreign purchase of a corresponding amount of the means of production necessary for the domestic expansion of reproduction(7). If we borrow foreign exchange funds but do not use them, then the domestic situation of inadequate capital leading to inadequate means of production cannot be transformed, and expanded reproduction will still face difficulties. If we go through with the investment of a large amount of Renminbi to produce commodities for export and neglect to use the earned foreign exchange assets, then, the contradiction of inadequate domestic capital and inadequate means of production will become even sharper, it will be even more difficult to realize the conditions necessary for expanded reproduction and we will be unable to accelerate the speed of expanding reproduction.

Obviously, no matter whether from a theoretical or a practical point of view, excessive foreign exchange reserves are not helpful in accelerating construction of the four modernizations, are of no help at all in quickly improving macroeconomic efficiency, and on the contrary, can also lead to a number of unfortunate influences.

On the issue of incurring foreign debts and paying foreign debts, we need not show too much anxiety, the key is in seeing whether the foreign debt from loans constitutes a debt hazard. According to internationally accepted standards, a nation's repayment of principle and interest payment expenses should not exceed 20 percent of the export income and it then will not become a debt hazard. In view of our own present situation in utilizing foreign loans, compared with other nations, our use of foreign loans is of relatively small scope and the debt repayment rate is quite low, so we are far from constituting a debt hazard and have much room in which to continue to utilize large amounts of foreign indebtedness. China's utilization of foreign exchange loans from 1979 to 1982 had repayment of principle and interest payments which constituted 10 percent of the income from our regular items and occupied 0.8 percent of the national output value, (8) which is considerably lower than the internationally accepted safe standard. It

also is comparatively lower than that of many developing nations; the 1979 South Korea repayment of principle and payment of interest occupied 13.5 percent of the income from regular items; for Pakistan it was 12 percent; for Indonesia 12.4 percent; for the Philippines 12.6 percent; and for Egypt 22.3 percent, which exceeds the safe standard. Only Brazil and Mexico had repayment of principal and interest payment rates which exceeded the safe standards by a considerable margin and constituted a serious debt hazard. Brazil had a repayment of principal and interest payment rate of 34.6 percent and for Mexico it was 24.1 percent.(9)

II. The Work of Utilizing Foreign Exchange Assets must Proceed Under the Leadership of the State Plan and with Encouragement from Each and Every Policy, and must Develop in a Positive and Reliable Fashion. We must Select Several Paths to make Timely, Effective Applications of Foreign Exchange Assets in a Flexible Manner.

First, we must center on our present enterprises following an "intensive" path of expanding reproduction, develop the potentials of technological transformation, take the improvement of economic efficiency as the central point of enterprise consolidation, and make positive, reliable and effective use of excessive foreign exchange assets in the technological transformation of our current industries.

Seeing that many of our enterprises have aging equipment, outdated factory buildings, backward technology, high energy consumption, low efficiency and serious pollution, and seeing that management of renovation and transformation funds is chaotic and that there is a low completion ratio for renovation and transformation projects, there is a serious situation in the utilization of capital, and to ensure that foreign exchange assets play an effective role in enterprise technological transformation, the utilization and management of foreign exchange assets must pay close attention to the following key links:

1. Large scale enterprise renovation projects must be included in the general plan and the long term plan for the renovation and transformation of state fixed assets, and must be carried out according to the plan and in stages of technological transformation which are on a par with national capabilities. Mid and small scale renovation projects also should be included in the local plan for technological transformation, but also must implement the mandatory examination and approval in order to guarantee improvement in the completion and the efficiency of technological transformation projects.

2. Enterprises which use foreign exchange assets in carrying out technological transformation must conduct feasibility studies no matter if the project is large or small. For large technological

transformation projects must be in accord with China's direction in capitalization, must be in accord with the state renovation and transformation plans, must be capable of conserving energy and the products must be in accord with social needs. From a micro point of view, we must strengthen investigation of commodity production capacity, strive to clarify how our present commodity production capacity can be rationally adjusted, how to deploy new production capacity and local production capacity, resolve the issue of how to make use of local superiorities and develop economic cooperation between areas, and resolve the issue of reunifying the nation's economy. With this foundation, we can decide upon the progression and methods of these projects of technological transformation, then select the best plans, report to the higher authorities and await approval. There especially must serious investigations of the newly added production capacity to avoid the blind pursuit of technological progress while avoiding construction needs and economic rationale.

3. According to the plans for technological transformation suggested by the enterprises on the basis of their feasibility studies, there should be targeted selection of a few enterprises which have potential for quickly improving labor productivity, a quick return on investment, rapid turnover, high profitability, more profits turned over to the state and smaller capitalization requirements to be given quick approval to start operations. The enterprises which have not carried out investigations, been examined and verified, and which do not have complete conditions for technological transformation should not be given loan approval. During the process of utilizing the loans the banks should strengthen their supervision and management of the loan enterprises, make regular investigation into the conditions under which the loan enterprises utilize the capital, and aid them in strengthening management, keeping accounts, lowering waste and reducing costs.

In addition, it is necessary to carefully resolve the issue of supporting funds and the issue of repaying foreign exchange loans. Resolving the issue of supporting funds, on the one hand, must concentrate on enterprise renovation and transformation and pay close attention to earmarking funds for special use, and on the other hand it is also possible to rely on bank loans to resolve this issue. As for the issue of repaying foreign exchange loans, we ought not to stipulate that only foreign exchange can be used in repayment, those production enterprises which take out foreign exchange loans but do not engage in commodity export could be permitted to use Renminbi to repay the loans at the exchange rate of 1 US dollar to 2.8 Renminbi. Those units which have foreign exchange income ought to use foreign exchange to make the repayments. Among the enterprises which need to carry out technological transformation, after all, few of them produce export goods and materials, and the great majority of enterprises which require technological transformation engage in domestic production and services.

Next, based on China's surplus situation in foreign exchange assets, we can give consideration to foreign investment of a portion of our foreign exchange assets to participate in international banking business activities. For example, we can utilize the long-term business experience of the Bank of China branches in Hong Kong and Singapore to engage in Asian marketplace foreign banking activities by purchasing transferable time certificates and short term bonds. In this way, we can buy in when there is ample domestic foreign currency and transfer or sell out when the country needs to do so. This is flexible and changeable. This type of banking business activity can also be conducted on the European banking marketplaces.

Also, in addition to using our foreign exchange assets to make loans to domestic enterprises to carry out technological progress and transformation, we can also consider loans in China for investment in Chinese and foreign joint capital ventures, cooperative enterprises and compensatory trade enterprises. This method does not involve any issue of "our control over foreign capital or foreign capital control of us," because making loans to foreign business enterprises actually still does not depart from the path of utilizing foreign capital, and they all the same must repay the principal and pay interest. In addition, we can also obtain such advantages as shown here: at the same time that we are resolving the issue of a temporary abundance of foreign exchange assets the foreign businesses can obtain loans from our nearby banks to accelerate the development of joint management enterprises, increase our portion of the income from these joint managed enterprises and promote an upsurge in our national economy. We not only ought to permit loans to joint management enterprises but also satisfy to all possible extent the amounts that they require and to all possible extent reach the normal international standard for loan amounts, otherwise, if foreign business are unable to obtain adequate loans this also will influence the development of joint capital enterprises. For example, in the previous period, our banks only issued loans of 70 percent of the plant's registered capitalization (while the foreign banks in Hong Kong generally give loans at a 1 : 8 ratio, or give loans 8 times the plant's registered capitalization), which resulted in a number of plant's registered in China to have no place to raise loans, and even if they could obtain a loan the amount was inadequate to meet their needs. This does not help in attracting foreign businesses to invest in China. If we are able to loan foreign exchange assets to Chinese—foreign joint management enterprises and moreover can satisfy their needs, this not only will be of great help in finding a way out for our excess foreign exchange assets, it will also be of great help to the joint management enterprises in all of their foreign capital endeavours.

Finally, we must encourage the foreign investment of foreign exchange assets. There are many methods to choose from in making foreign investments: we can use a portion of the foreign exchange

assets to invest on the foreign marketplaces in Chinese-foreign joint management enterprises, we can also purchase stocks in the advanced businesses and enterprises of developed nations, and we can use a relatively small amount of foreign exchange assets on a broader scope to obtain new technology and new products from various advanced enterprises. In making direct investments on foreign marketplaces we can utilize the experiences of India and Hong Kong. The former achieved obvious results by investing in the Third World and the latter achieved prominent results through investments on an even broader scale. We can emulate the Hong Kong method of foreign investment which is to invest in easy export markets and invest in marketplaces which have great consumer strength. For example, investing in the Southeast Asia region will first attain relatively high profits and second will spur on exports, will import goods and materials which we urgently need, and third we can undergo practice in foreign investment, gain experience in it and gain understanding of foreign policies, laws and business experiences, understand foreign marketplace structure and trends of consumption, cause our foreign investment enterprises to learn how to do business in the highly competitive foreign marketplace, improve the level of our enterprise management, and also provide domestic enterprises with information and experience.

The use of the stock purchase method to infiltrate advanced businesses and enterprises in developed nations can closely correlate our domestic scientific research work to improve the production technology level of comparable domestic enterprises. For example, we can make a targeted selection of a few businesses in which our technology is relatively backwards and foreign technology is relatively advanced. We can also select a few enterprises which are of small scale but with relatively advanced technology and with future development. By buying such stocks we can become capital shareholders in these enterprises. By having such stockholders status we can use local laws to obtain a certain degree of management rights as well as utilization rights of new products and new technology. We can quickly gain control over the most recent foreign technological intelligence to match advanced scientific research in our domestic enterprises, gradually improve the production technology level of our country's comparable products, and strengthen the international competitiveness of our products.

Of course, choosing these methods of investment is not necessarily limited to the scope of advanced nations. As long as an enterprise has a future of development, appears to have bright prospects, has competitive strengths and is relatively advanced in technology, we should not hesitate because it is in a backward country, just the same, we can purchase stocks and obtain advanced technology.

In short, the utilization of foreign exchange assets must firmly uphold the principles of leadership of the state plan and flexible application, use the assets in a lively manner, use them on key

points, and sincerely promote the role of foreign exchange assets in socialist economic construction in order to make the contribution it ought to in the construction of the four modernizations.

(Responsible editor: Wang Ruo [3769

5387]

(1)(3)(4)(8)(9) DUIWAI JINGJI YANJIU[FOREIGN ECONOMIC RESEARCH]
1982, No. 50 "China's Utilization of Foreign Capital"

(2) RENMIN RIBAO 1 June 1983

(5)(6) CANKAO XIAOXI[REFERENCE NEWS] 31 May 1983

(7) DUIWAI JINGJI YANJIU 1982 No. 50 "Utilizing Foreign Capital in
Developing Domestic Industry"

11582

CSO: 4006/302

BRIEFS

XIAMEN SEZ CONSTRUCTION--Within the overall scale of the investment projects approved by the provincial planning commission, Xiamen city's capital construction projects can be approved by its government, except for large and medium-sized projects and small projects whose production, supply and sales need to be balanced by the provincial authorities. These must be reported to authorities for approval according to the stipulations. Projects using foreign and overseas Chinese capital to introduce technology and transform technology of old enterprises can be balanced in an all-round manner and examined and approved by the city government according to the SEZ's regulations, except for those whose production, supply, sales and foreign exchange earnings and payments need to be balanced by the provincial authorities. These should be reported to the provincial authorities for approval. Departments concerned at provincial and city levels should actively support construction of the Xiamen SEZ, which is a major project of the province. The SEZ should also take the initiative to tighten ties and vigorously coordinate with concerned provincial departments, speed up construction of its infrastructure and complete several projects as soon as possible so as to increase the attraction of foreign and overseas Chinese capital. The SEZ's construction projects should be approved by authorities concerned according to the stipulations. These projects can also call for tenders on a trial basis to encourage competition, reduce costs and speed up construction. [Text] [Fuzhou FUJIAN RIBAO in Chinese 20 Aug 83 p 2] 12302

CSO: 4006/004

TRANSPORTATION

PRC TO ADD INTERNATIONAL, DOMESTIC AIR ROUTES

HK100250 Beijing ZHONGGUO XINWEN SHE in Chinese 1349 GMT 9 Mar 84

[Text] Beijing, 9 Mar (ZHONGGUO XINWEN SHE)--The Civil Aviation Administration of China will increase flights on the routes from China to Japan and the United States from 1 April, and from 15 March it will also open three new domestic air routes and increase by 50 the flights to major tourist cities, adding more than 15,000 seats.

On the route from China to Japan, airplanes such as the Trident will be replaced by Boeing 747's and 707's, Illyushin 62's, and DC-9's. From 1 April, flights from Beijing and Shanghai to Japan will be increased to 17 weekly, increase of nearly 300 the number of seats. The flights on the Sino-U.S. air route will increase from 3 to 4 a week, adding about 300 passenger seats. Meanwhile, the air route from China to Europe will be readjusted; the original Beijing-Sharjah-Frankfurt-London flight will be divided split, that is, Beijing-Sharjah-London, and Beijing-Sharjah-Frankfurt.

As for the three new domestic air routes, two of them are circular routes: Shanghai-Guilin-Xian-Shanghai, and Guangzhou-Beijing-Xian-Guilin-Guangzhou. The other is a direct route from Guilin to Xian.

In order to meet the needs of tourists, Beijing, Shanghai, Guangzhou, Guilin, Lhasa, and other tourist cities will put more flights into service. For example, four additional Trident flights will be put into service from Shanghai to Guilin each week, two from Guilin to Xian, and six from Xian to Shanghai. Meanwhile, four Boeing 737 flights and seven Illyushin 18 flights will be added to the service from Guangzhou to Beijing, and the six Illyushin 18 flights from Lhasa every week will be reduced to two, and six Boeing 707 flights will be added.

CSO: 4006/355

TRANSPORTATION

QINGHAI TIBET RAILROAD'S XINING GOLMUD SECTION DESCRIBED

Beijing TIEDAO ZHISHI (RAILWAY KNOWLEDGE) in Chinese No 6, 28 Nov 83 pp 4-5, 41

[Article by Wang Mingcha (3769 2494 2686): "A Railroad on the 'Roof of the World'; The Landscape on the Qinghai Tibet Railroad's Xining-Golmud Section"]
[Excerpts]

[Text] On our country's Qinghai-Tibet Plateau, there is a trunk line railroad with distinctive characteristics. It is the Xining-Golmud section of line built during the first phase of the Qinghai-Tibet railroad project. This section of line was already basically opened in July 1979, the Hargai-Golmud section of it was tentatively checked and accepted this year, it is scheduled to be officially tested and delivered in June 1984, and it is one of 93 major construction projects which were started with an investment of over 500 million yuan during the period of our country's "Sixth 5-Year" Plan. The construction of this line will be of major significance in developing the Qinghai-Tibet region, promoting the development of agriculture, animal husbandry and local industry, strengthening ties with the interior, promoting nationalities unity and strengthening national defense. Since its trial opening to traffic in 1979, it has transported almost 6 million tons of all kinds of goods and materials and 500,000 passengers.

[Second paragraph missing]

The Highest Railroad in the Country

The most prominent characteristic of the Qinghai-Tibet railroad's Xining to Golmud section of line is its high geographical position. It is located in the north-eastern part of the Qinghai-Tibet Plateau known as the "roof of the world," and on the north side of the Qinghai Plateau. The region which the line passes through reaches a height of 2,700 to 3,700 m above sea level. It is our country's first highlands line. Few lines throughout the world are as far above sea level.

The Xining-Golmud section of the railroad begins at the city of Xining, passes through Huangyuan and Haiyan and turns northwest. From Haiyag it runs along the north shore of Qinghai Lake, crosses the Shaliu and Buh rivers to Tempung,

crosses Guanjiao Mountain, runs along the north side of the Keke Salt Lake and the eastern edge of the Duo Sea to Delingha, crosses the Bayan River twice to Lian Lake, crosses the Liantong River, passes between Toson and Hurleg lakes, enters the central part of the Qiadam Basin, turns southwest from Hangya and crosses the Qarhan Salt Lake straight to Golmud for a total of 834 km. There are many kinds of geological sections along the line including both grassland and marshland zones and also deserts, the Gobi Desert, salt lakes and salinized soil, continuously interlocked and very complex.

Since most of the Xining-Golmud section of line is located approximately 3,000 m above sea level or twice as high as the high eastern mountain of Tai Shan, it has a unique highlands climate. The air there is thin and critically short of oxygen. According to scientific research departments' measurements, the amount of oxygen in the air at 3,000 m above sea level is only 70 percent of that at sea level, and machine power is reduced by 25-30 percent. People there may feel difficulty in breathing, be dizzy and depressed, and feel weak in their limbs. These are so-called "highlands reactions."

A very long cold period is also a characteristic of the highlands. The long winter season extends over half the year, padded clothes are worn all the year round in some areas, and snowflakes still dance in the air sometimes in June. There are high winds there all year long, and strong, higher than 8-force winds blow 70 days a year. The strongest winds can blow hundreds of sheep into Qinghai Lake. It is also quite seriously dry there with most areas having no water. The average annual precipitation between Keke and Toson Lake is only about 200 mm, the average annual evaporation reaches a high of approximately 2,300 mm, and evaporation is 11 to 19 times that of precipitation. Between Toson Lake and Golmud, when evaporation is greatest, it is 138 times that of precipitation and even more seriously dry. The area east of the mouth of the Guanjiao valley is affected by the moist climate of Qinghai Lake, and although it has somewhat more precipitation, evaporation is still 5 times greater.

Even though the terrain and geology along the Xining-Golmud section of line are complex, projects formidable and natural conditions difficult, yet the masses of railroad troops, engineers and technicians who participated in building the road displayed a revolutionary spirit, overcame major difficulties such as the harsh climate and arduous living conditions, and finally built a great section of steel road in the highlands region for the first time.

Along Qinghai Lake

Qinghai Lake is 360 km in circumference, its area is 4,583 sq km, it reaches a height of 3,195 m above sea level, and it is the biggest highland saltwater lake in our country's interior. The lake surface is a boundless expanse of blue water, the lake shore grasslands are graceful, and it is Qinghai Province's biggest natural scenic spot. The huge body of the lake is also a large fish storehouse teeming with scaleless Huang fish which produce 4,000-5,000 tons a year, and in addition subsidiary rivers contain abundant fish resources, having made it the major aquatic products area in our country's

northwest region. The west shore of the lake has luxuriant grasslands and fertile farms which produce agricultural and animal husbandry products such as cattle, sheep, highland barley and rape. The northwest corner of the lake has a bird island which is famous both in China and abroad, over 100,000 migratory birds such as the speckle-headed wild goose, the fish gull and the palm-head gull dwell there, in unusually high density, and they attract countless tourists and scientists who come to visit. The building of the Xining-Golmud section of railroad has been very convenient for transporting the Qinghai Lake region's aquatic product resources and agricultural and animal husbandry products, as well as for the tourists who come here.

The Highest Tunnel Above Sea Level

The high Guanjiao Mountain lies like a natural screen between the great Tianjun grasslands and the Qaidam Basin. When the Xining-Golmud section of line passes through Guanjiao Mountain, it cuts a tunnel 4,010 m long called the Guanjiao tunnel, and becomes a "strategic passage" for the first stage of the Qinghai-Tibet railroad project.

The entrance to the Guanjiao tunnel is 3,689 m high, the exit is 3,671 m, the highest track in the tunnel reaches 3,700 m, and it is now the highest tunnel above sea level in our country. The degree of oxygen deficiency in the tunnel is equivalent to conditions 5,000 m above sea level, people who are inside for very long fall unconscious, and matches cannot even be lit for smoking. This phenomenon is very peculiar. It is truly a highlands tunnel worthy of the name.

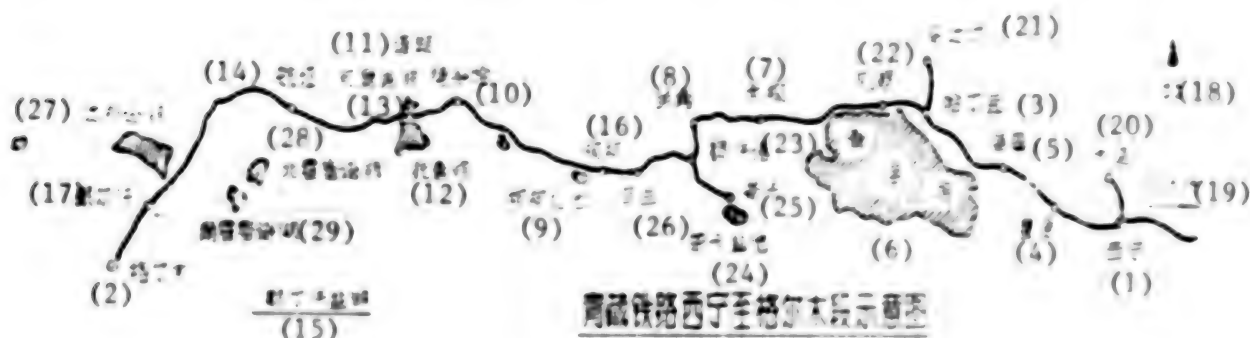
Guanjiao Mountain's rock formations include sandstone, schist, limestone and marble. There are over 10 fault zones, faults are cut, the structure is complex, rock formations are quite broken up, underground crevice water develops, and when cutting the tunnel the greatest amount of rising water for a 24-hour day reached 10,000 tons. Construction was carried on here from 1959 to 1961, but later it was halted and the tunnel was sealed up for some reason; it was resumed in 1975, but through being soaked with underground water for over 10 years, the stone foundation sank and part of its arched base caved in, creating great construction hardships. In coordination with departments such as design and scientific research, the railroad troops who built the railroad overcame hardships in the tunnel such as the serious oxygen shortage and frequent cave-ins, and after 5 years of arduous struggle finally opened up this tunnel which has special natural conditions, and repaired the defects. Trains can now pass through here safely and smoothly.

The New Type of Ungravelled, Untied Bridge

Where the Xining-Golmud section of the railroad passes through the Qaidam Basin, there is a pair of sister lakes, the larger called Toson Lake, and the smaller Hurlog Lake. After collecting rivers such as the Bayan and the Baluogen and flowing under the north edge of the Delingha Basin, Keluke Lake overflows into Toson Lake through the Liantong River. Between the 2 lakes is a vast region of low-lying, accumulated water overgrown with weeds called the "land of swamps." The line had to cross this region and a bridge was built across the Liantong River.

The large-scale Liantong River bridge is a new type of ungravelled, untied, prestressed and reinforced concrete bridge. In the so-called ungravelled, untied bridge, no gravel or ties are laid under the tracks, but the rails are laid directly on the bridge's prestressed concrete beams using springs to tie the pieces and bolts to hold them, thus lightening the weight and saving material. Based on the natural conditions of highland hardships and for convenient transportation, erection and maintenance of beams, this kind of bridge was a pilot project jointly designed and developed by the Ministry of Railway's Second Survey and Design Office, Southwest Jiaotong University and some railroad troops' factories to accumulate experience and to extend its application on highland railroads. The large-scale Liantong River bridge is 126.8 m long and has 5 arches; one is 16 m wide and 4 are 24 m each, and its tallest pier is 19.5 m.

Figure: Sketch Map of the Qinghai Tibet Railroad's Xining to Golmud Section



KEY: (1)	Xining	(16)	Keke
(2)	Golmud	(17)	Qarhan
(3)	Hairez	(18)	North
(4)	Huangyuan	(19)	To Lanzhou
(5)	Haiyan	(20)	Datong
(6)	Qinghai Lake	(21)	Qaidar
(7)	Tempung	(22)	Gangca
(8)	Guanjiao	(23)	Qagannur
(9)	Keke Salt Pond	(24)	Caka Salt Lake
(10)	Delingha	(25)	Caka
(11)	Lian Lake	(26)	Ulan
(12)	Toson Lake	(27)	Dabsan Lake
(13)	Hurlez Lake	(28)	(North Hulsan Lake
(14)	Hangya	(29)	South Hulsan Lake
(15)	Qarhan Salt Lake		

There are 3 of the new type of ungravelled, untied, prestressed beam bridges on the Xining-Golmud section of line, and in addition to the large-scale Liantong River bridge, the other 2 are the large-scale Bayan River bridge and the medium-scale Burgasite bridge. The large-scale Bayan River bridge is composed of 10 piers and 2 abutments, and is 274.4 m long. The medium-scale Burgasite bridge is 60.1 m long and has 3 piers each 16 m apart. Since

these 3 bridges were finished, 3 years of temporary service have proved that the bridges are of good quality and that their use can be extended.

Structure Built of Salt

The Xining-Golmud section of the railroad passes through the Qarhan Salt Lake in the hinterland of the Qaidam Basin, and 32 km of the line are laid on salt beds. The salt beds become the roadbed, and chunks of salt can also be used as the structure's building materials. This is very new.

The Qarhan Salt Lake with an area of over 5,800 sq km is our country's biggest salt lake. The surface of the lake is a hard layer of drab-colored shell approximately 80 mm thick, and a layer of rock salt approximately 10-20 m thick is under the hard shell. A large number of salt types such as table salt, potassium and magnesium are stored in the lake, reserves reach more than 43 billion tons, and they could provide edible salt for the population of the whole world for thousands of years.

In the building the railroad here, salt and the salt shell have become useful materials. People have used the salt shell as brick and stone, and to build enclosures and houses. The north shore of the salt lake is close to a region of wind-blown sand, and the line has often been eroded and buried by flying sand. Design units and construction troops have used the salt shell as material to build square sand barriers to prevent and control flying sand, they have been very effective, and are called "new highlands sand-control pioneering." At the Qarhan station, people have used local materials such as salt to pave the platform's sides and slopes, it is clear as jade, and is both beautiful and also saves construction material.

Golmud Rated as a "Railroad-Centered City"

The terminus of the first section of the Qinghai-Tibet railroad project is the new city of Golmud in the Gobi Desert. Before liberation, it was overgrown with reeds here, haunted by wild animals, and a scene of desolation. It has now become a developing city with a population of 120,000 and an area of over 30 sq km. There are row upon row of houses here, streets are wide with people bustling about and plenty of cars, and it is very prosperous.

Three stations have been built since the railroad came here. Golmud station is the biggest with an area of over 2,380 sq m. It has all the necessities including big waiting buildings, waiting rooms for mothers and children, waiting rooms with cushioned seats, ticket offices and luggage rooms, and also passenger and cargo services. With the train station as its center, it stretches east-west for approximately 6 li, all of which consists of railroad units; there are departments for cars, engines, labor and power, and also facilities such as hospitals, schools, residences and livelihood services spread all over. Joined together, they form a "railroad-centered city," and has become the major component of the city of Golmud.

12267

CSO: 4006/263

TRANSPORTATION

SHANXI'S SOUTHERN TONG PU RAILROAD RENOVATION DESCRIBED

Beijing TIEDAO ZHISHI (RAILWAY KNOWLEDGE) in Chinese No 6, 28 Nov 83 pp 2-3

[Article by Chen Yuanmou (7115 6678 6180) and Luo Dahai (5012 1129 3189):
"The Main Transportation Artery of 'The Home of Coal'; The Double-Track
Southern Tong Pu Railroad"] [Excerpts]

[Text] A main transportation artery, the double-track southern Tong Pu railroad, is being built in "The home of coal" in the southern part of Shanxi Province. Of the 70 medium and large-scale major construction projects planned by the state, this is one of 9 major railroad projects.

The southern Tong Pu railroad begins in the north at the Taiyuan railroad center, and is linked to the northern Tong Pu, the Shijiazhuang-Taiyuan, the Taiyuan-Jiaozuo, and the Taiyuan-Lan county railroads. Via the 3 regions of central Shanxi, Linfen and Yuncheng, it crosses the Yellow River and is connected in the south to the Long Hai railroad's (Lianzun Harbor-Lanzhou) Mengyuan station. Its total length is 488 km, and it is a major thoroughfare for the external transport of Shanxi coal.

Abundant Coal Resources

There are rich mineral resources and abundant coal resources along the southern Tong Pu railroad line. First, there are large reserves, and 34.5 billion tons of tentatively proven coal deposits constituting approximately one fifth of Shanxi Province's reserves; second, there are many varieties of coal and its quality is good, some of it being high grade energy coal, and some of it being suitable for coking; third, the coal is close to the surface and easily mined; fourth, the geographical position of the reserves is well situated and they are near to the industrial areas of north, northeast and east China, not far from seaports, and are easily transported internally and abroad. According to relevant recorded data, as far back as the Northern and Southern Dynasties coal had begun to be excavated and utilized in this area. At present, the coal industry along the line is of considerable scope, and is gradually developing in the direction of a comprehensive energy base.

The Gujiao coalfield in the vicinity of the northern section of the railroad is one of 70 major construction projects throughout the country, and 10

large-scale mines will be built designed for a total production capacity reaching 16.5 million tons a year. The Xiqu mine on which construction began earlier has a design capacity of 3 million tons. Construction began in 1979, and the first stage of the project can be completed and put into operation next year. At the Zhenchengdi mine with a design capacity of 1.5 million tons, 5 pit shafts and the surface project are not in full swing. At the Huoxi coalfield on the northern part of the railroad, there are total reserves of 12.7 billion tons. Of these, the 12 existing pits of the Fenxi mine, after extension, will be able to produce 9 million tons of coal a year in the near future. The 10 existing pits of the Coal Bureau of Huo County are designed to produce over 4 million tons of coal in the near future.

The region along the line is also a major production area for Shanxi Province's iron and steel, gypsum and aluminum, and a group of new and extended major mining enterprises will be built and put into operation one after another. The Hongdong coking plant producing 600,000 tons of metallurgical coke a year was built and put into operation at the beginning of this year. On the railroad's southern section, the Hedong coalfield's Xiangning coking coal base has been listed as a major Shanxi construction project. Ground was broken and construction begun last July in Hejin County's Yumenkou for the Shanxi Aluminum Plant, the largest of our country's 4 large aluminum bases located in the vicinity of the city of Houma. The construction and putting into operation of the double-tracked southern Tong Pu railroad is of major significance in accelerating coal production and developing and utilizing other mineral resources along the line, and in promoting the overall development of the national economy.

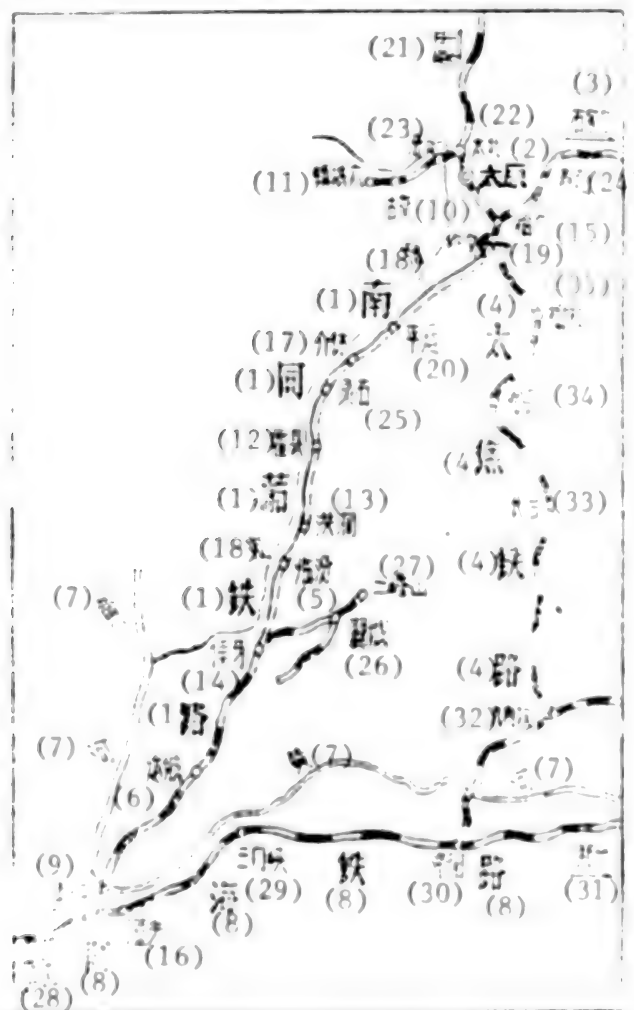
Building Double Tracks, Expanding Transportation Capacity

The southern Tong Pu railroad was first built in 1935, and when, in order to strengthen his feudal rule, Shanxi Province warlord Yan Xishan [7051 6932 1472] built the railroad as a 1,000 mm narrow-gauge railroad, the equipment was simple and crude, and technical standards were also low. After liberation and before technological transformation, the line's largest slope was 16.6 degrees, the radius of its smallest curve was 100 m, approximately half its rails were 16 kg per m light rails, it could only handle small-scale engines pulling the fixed amount of 400-500 tons, and it could not be connected with the northern Tong Pu and the Shijianzhuang Taiyuan lines for through transportation.

In 1956 the Taiyuan Railroad Administration pulled up the whole line and widened it to standard gauge. Since the equipment was obsolete and unable to satisfy transportation needs, this section of railroad underwent 3 successive technological transformations. From 1956 to 1962, the 300 km section of line from Yuci to Houma was transformed. In 1957, in order to alleviate the transportation shortage on the northern section of the Beijing-Guangzhou railroad, a section of railroad from Fenglingdu to Tongguan, and a temporary Yellow River bridge were built, the rails were replaced from Houma to Fenglingdu, and equipment was increased. In 1967 a 22 km liaison line and a large Yellow River bridge were built on the Fenglingdu to Mengyuan section,

and soon afterwards the stations south of Houma underwent technological transformation. This enabled the railroad's design capacity to gradually reach approximately 10 million tons a year, and expanded its transportation capacity. Due to the flourishing development of the national economy, there was a sharp increase in the volume of the external transport of Shanxi coal, and by 1982 the actual transport volume of this railroad had reached 17 million tons, surpassing the design capacity by more than half. But it still couldn't satisfy the needs for transportation of Shanxi coal, a large amount of coal was overstocked, and it was necessary to determine the output of some coal mines according to freight volume. In order to change this passive situation, the country invested 600 million yuan in 1979 to build the southern Tong Pu double tracks, and required section by section construction and profits. It also required that the whole line be completed and put into service during the period of the Seventh 5-Year Plan. By that time, the transport volume of the southern Tong Pu railroad may reach over 30 million tons a year, an increase of nearly 70 percent over 1982's actual transport volume, and the transportation shortage can be greatly alleviated.

Figure. Sketch Map of the Multiple-Track Southern Tong Pu Railroad



KEY:	(1) Southern Tong Pu railroad	(19) Xiuwen
	(2) Taiyuan	(20) Pingyao
	(3) To Shijiazhuang	(21) To Yuanping
	(4) Taiyuan Jiaozuo railroad	(22) Taibei
	(5) Linfen	(23) Fenhe
	(6) Yuncheng	(24) Shouyang
	(7) Yellow River	(25) Lingshi
	(8) Long Hai railroad	(26) Yicheng
	(9) Lmgyuan	(27) Erfeng Mountain
	(10) Gujiao	(28) To Xian
	(11) Zhenchengdi	(29) Sanmenxia
	(12) Huoxian	(30) Luoyang
	(13) Hongdong	(31) To Zhengzhou
	(14) Houma	(32) Jiushufen
	(15) Yuci	(33) Changzhi
	(16) Tongguan	(34) Qinxian
	(17) Jiexiu	(35) Yushe
	(18) Fen River	

A Great Army of Road-Builders Fight Heroically

The double-track southern Tong Pu railroad passes through the Luliang, Taiyue and Zhongtiao mountain areas, goes south along the left bank of the Fen River, at the foot of the mountains and along the river, and zigzags tortuously. The closest distance between the mountain and river is only 6 or 7 m. In building the new line and transforming the old line in this narrow belt, there is very little room for maneuver in construction, and many sections of the roadbed of the new line must be excavated from the mountain or built by piling up stones in the riverbed. All of the central 197 km section of line from Jiexiu to Houma particularly, is located in a 7-9 degree high-intensity earthquake region, new tectonic movement is strong, and there is much bad geology such as faults, landslides and riverbank erosion. The line has many protective projects involving a large number of cubic meters of earth and stone. It is necessary to build 2 tunnels, 16 new medium and large bridges, and 461 small bridges and culverts. There are also projects involving a large number of cubic meters of earthwork, and corresponding suitable communications, signals, and electric power projects which are "bottleneck" sections for the whole line.

This double-track railroad was designed by the Third Survey and Design Office of the Ministry of Railways, and railroad troops do the construction. At present, the 297 km section starting in the north at the Xiuwen station and going south to Houma is in full swing. With the energetic support of Shanxi Province and local governments and the masses of people along the line, the troops building the road have acted in close coordination with the railroad transportation department and made overall arrangements to ensure that neither transportation nor construction will suffer. By the first half of this year, 33 percent of the total investment had been completed, 75 km of double-track had been laid, tracks had been completely laid in 4 sections, and the Donglu station had been made available to the users. A great army of road-builders is fighting heroically to finish the job on schedule.

Historic Sites Along the Line are Fascinating

The area through which this railroad passes has a long and rich history and culture and beautiful mountains and rivers, and to the present still continues to have many scenic spots and historical sites. After the double-track is completed, it will provide more convenient communication conditions for Chinese and foreign tourists who come to sightsee.

12267

CSO: 4006/263

TRANSPORTATION

BRIEFS

EXPRESSWAY CONSTRUCTION--Beijing, 3 Mar (XINHUA)--China this year will begin survey and design work for the construction of two high-standard highways. The highway to be built between Guangzhou and Shenzhen will be an expressway allowing for speeds up to 120 km per hour, while the highway between Shenyang and Dalian will be a first-grade highway allowing for speeds up to 100 km per hour. The width of a four-lane high-standard highway is over 23 meters. [Summary] [OW120051 Beijing XINHUA Domestic Service in Chinese 1514 GMT 3 Mar 84 OW]

TRIDENT PASSENGER PLANE REPLACEMENT--The Civil Aviation Administration of China has decided to replace the Trident passenger planes with the large (?model-62 Lear) to be put into operation on the domestic flight between Harbin City, Heilongjiang Province, and Beijing Municipality in the middle of March this year with first class and coach cabins. The maximum passenger load of these new planes is 174 persons, a 74-passenger increase over that of the Trident. The flying time of these new planes between the two cities is 1 hour and 15 minutes. [Text] [SK130102 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 8 Mar 84 SK]

CSO: 4006/355

GENERAL

COLLECTIVE OWNERSHIP OF FACTORIES DEFINED

HK120924 Beijing GUANGMING RIBAO in Chinese 4 Mar 84 p 3

[Article by Liu Gang [0491 0474]: "A Tentative Discussion on the Nature of Cooperative Factories Run by Collectives"]

[Text] Of what nature are the large cooperative factories run by collectives? Up to the present, a controversy over this question still exists between the theorists and those engaged in practical work. To clarify the nature of the large cooperative factories run by collectives, we must first make clear the idea about the ownership of a large collective. What is the ownership of a large collective? It means that the means of production are possessed and controlled by a joint corporation. However, understanding has not yet been unified as to the distinction between the ownership of large and small collectives. There are two ways to draw such a distinction:

The first way is to draw a distinction according to the administrative level. Collective enterprises led and managed by prefectural and county authorities and bureaus belong to the ownership of a large collective, while those managed by neighborhood organizations belong to the ownership of a small collective.

The second way is to draw a distinction according to the level of wages, labor insurance, and other material benefits. Enterprises whose workers are paid and who enjoy labor insurance and other material benefits according to the standard for state-run enterprises belong to the ownership of a large collective. Collective enterprises whose workers receive relatively low wages and who enjoy part of the labor insurance or no labor insurance at all belong to the ownership of a small collective.

In my view, these two ways to draw a distinction are inappropriate. The nature of a collective enterprise is determined by the ownership of the means of production. The form of ownership decides the nature of the enterprise. Therefore, the only way to determine whether an enterprise belongs to the ownership of a large or small collective is to see who owns and controls its means of production. The enterprise belongs to the ownership of a small collective if its means of production are owned collectively by its workers; it belongs to the ownership of a large collective if its means of production are owned collectively by the joint corporation. The means of production

of a cooperative factory are owned by the joint corporation. Therefore, a cooperative factory is a large economic enterprise owned by collectives.

A large cooperative factory run by collectives is different from a productive cooperative in three areas: 1) A cooperative factory has the right to use the means of production. However, there has been a change in the exclusive ownership of the means of production by an enterprise. The means of production are owned by the joint corporation. 2) The after-tax profits of a cooperative factory is divided proportionately between the factory itself and the joint corporation. The sharing of profits of the cooperative factory by the joint corporation shows that the joint corporation also has a share in the right to own the means of production. 3) A cooperative factory is an independent business unit and also an independent accounting unit. However, it shoulders economic responsibility for the profit and loss of the joint corporation. These three characteristics of a cooperative factory show that it is an organizational form of collective economy higher than a productive cooperative in the level of public ownership.

However, some comrades hold that a large cooperative factory run by collectives no longer belongs to the collective ownership of the workers but reflects "a small-scale all-people ownership within the framework of a large collective." They argue that a cooperative factory is under the unified management of the local administrative department, is subordinate to the local government and therefore is an enterprise under all-people ownership. This viewpoint is open to question.

As we all know, the ownership of the means of production is the base of the relations of production and also the base of business management. It determines the form of management, and not vice versa. In no way should we hold that the form of management determines the nature of the ownership of the means of production. For this reason, the nature of the ownership of the means of production of an enterprise should not be judged by the form of management. During the 10 years of turmoil, the joint corporations of handicraft producers' cooperatives were forced to stop functioning as a result of the influence of the "leftist" mistakes, and the cooperative factories were managed in a unified manner by the local administrative departments. At that time, the local administrative departments were just conducting management on behalf of the joint corporations, and the party and the state did not deprive the joint corporations of their ownership of the means of production of the cooperative factories. The joint corporations of handicraft producers' cooperatives at all levels have been restored or established during the past 2 years. As a result, the joint corporations have gradually recovered their ownership of the means of production of the cooperative factories. How can we say that the large cooperative factories run by collectives have already become enterprises under all-people ownership?

It must be pointed out that although the large cooperative factories run by collectives have further raised their level of ownership, they are still notably different from the state-run enterprises under all-people ownership

in certain aspects: 1) the means of production of a large cooperative factory run by collectives are owned by a group of working people, and this is public ownership within the framework of a collective. The means of production of a state-run enterprise are owned by all people, and this is public ownership within the framework of the whole country. 2) A large cooperative factory run by collectives accumulates funds by itself or is invested by a joint corporation. A state-run enterprise is invested by the state. 3) The after-tax profits of a large cooperative factory run by collectives are jointly owned by the factory and the joint corporation and are the property of a collective. The after-tax profits of a state-run enterprise are owned by the state and are the property of all people. These differences between a large cooperative factory and a state-run enterprise show that such a factory remains under the collective ownership of the working people. The viewpoint holding that the large cooperative factories run by collectives are enterprises under all-people ownership is untenable.

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